	Interbank Clearing System IG1 Standards Volume I Version 3.1	
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INTERBANK CLEARING SYSTEM IG1 STANDARDS Volume I

***A Summary of Standards and Services
Version 3.1***



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PREFACE

The payment system operated by GIRO Zrt. is called the Interbank Clearing System (ICS). The basic principles and rules of operating the system, the conditions and way of participation as well as the time period of operation for performing interbank payment transactions are set out in the effective ICS Business Rules.

The Volumes of the ICS IG1 Standards represent inseparable attachments to the night-time clearing on IG1 platform detailed in ICS Business Rules, in which GIRO Zrt. sets out the precise contextual and formal definition of electronic orders and messages applicable during the course of performing interbank payments, as well as the rules of exchanging / transferring transactions.

This Volume gives a description of the usage of the prescribed IG1 standards by providing a detailed review and flow charts of the services and clearing processes set out in ICS Business Rules, and at the same time it provides support as to how to interpret and how to fit the Standards detailed in the ICS IG1 Standards, Volumes II and III into the clearing process.

ICS IG1 Standards, Volume II details the standards of so-called „IGS-format” Single Transactions, while Volume III describes the standards of Multiple Messages.

Expressions and terms relating to standards are explained in the Glossary of the documents referred to. Expressions and terms relating to the participants of payment flow might differ from the expressions used in effective regulations and decrees. The banks did not require the modification of standards for rewording, renaming the expressions (e.g. beneficiary instead of. addressed customer).

The publication of the Interbank Clearing System IG1 Standards, Volume I – in a unified structure together with the modifications –, as Version 3.1 was justified by the fact that after the publication of the previous version of ICS Standards, a.) the ICS Business Rules had been modified several times, b.) the regulations had been changed, c.) the system had been reengineered. All these changes had been published in different documents¹ during the year of 2013 and later included in the new 3.1 versions of ICS IG1 Standards volumes II and III, and finally in volume I.

Although the **Giro Interface Device / GID** implemented at the bank's endpoint had not been used since 2011, expression **GID** is still used for the identification of **bank's GIRO endpoint**. Input / output files between banks and GIRO are transferred via bank's GIRO endpoints referred to as **GID**.

ICS IG1 STANDARDS' ADDITION *Handling of the sending and receiving restrictions in the night-time clearing mode* version 1.0 26 March, 2013.

ICS IG1 STANDARDS' 2nd ADDITION *Amendment of the multiple direct debit transaction's date in the night-time clearing mode* version 1.0 11 Nov, 2013.

Electra business requirements version 1.0 18 March, 2013

1. Operation of the Interbank Clearing System

GIRO Zrt. with its clearing services provided within the framework of the Interbank Clearing System facilitates to fulfil transactions between Clearing Members' accounts by transmitting and clearing interbank payment orders (transactions) given by Clearing Members.

Only HUF-based payment orders are fulfilled in the Interbank Clearing System.

During the night time clearing on InterGIRO1 platform of Interbank Clearing System the Clearing Members transmit data of payment orders (transactions put into Sending Remittances) submitted by their customers and also of their own transactions to GIRO Zrt. in the form of standard electronic messages. Furthermore the Clearing Members receive – in the form of standard electronic messages – credit postings (customer orders, Clearing Member's own items and payment orders for their Indirect Participats) from GIRO Zrt. to their accounts kept with NBH (National Bank of Hungary).

Credit institutions linked to the Interbank Clearing System in an indirect manner – Indirect Participants – send or receive the data of their payment orders via one of the Clearing Members (a Correspondent Bank in this sense).

Transactions are transmitted via the secure Data Transmission System (GIROHáló) operated by GIRO Zrt., to which the Clearing Members are linked via their bank's GIRO endpoint, GID. Devices available in the Interbank Clearing System (GIROHáló for data transmission, GIROLock for signing input/output files) facilitate and support Clearing Members and their Indirect Participats to fulfil payment orders requiring clearing in accord with the stipulations of the NBH regulation.

The Interbank Clearing System is available to the Clearing Members on each settlement day during the time period of operation specified in the effective ICS Business Rules.

The clearing of credit transfer transactions and the calculation of interbank positions as well as the processing of collection initiating transactions are done in different clearing sections and within specific cycles. A detailed description of the clearing sections and settlement cycles is included in Section „3.1.5 Clearing” of this volume of the IG1 Standards.

The exact time of clearing sections and settlement cycles and their contextual elements – clearing processes – are included in the effective ICS Business Rules.

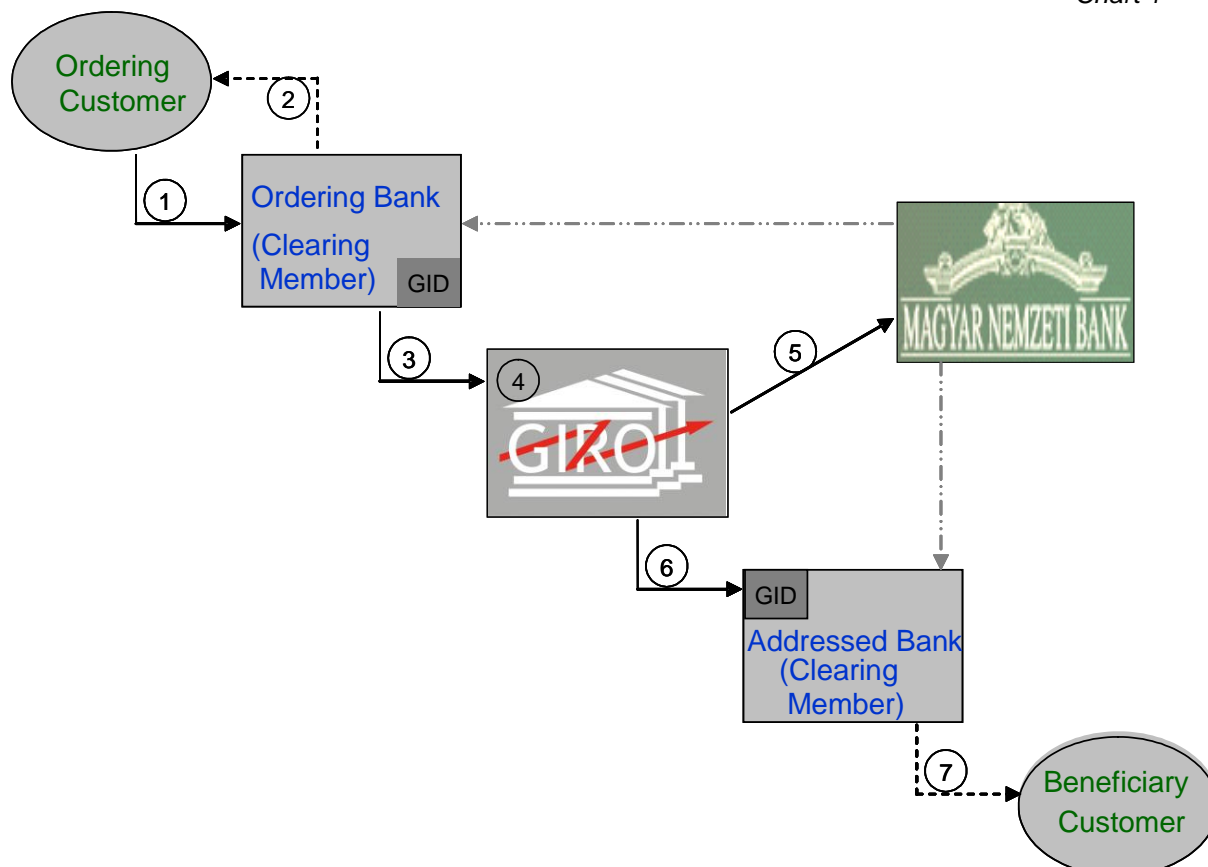
The following charts show the general clearing process of interbank payments. A separate flow chart shows the general process of interbank clearing of orders initiated by the customer of an Indirect Participating Bank.

In **Appendix 1** of this volume of IG1 Standards the clearing process of interbank payments is described by methods of payment.

Initiation of Interbank Payments

(general process)

Chart 1



The individual steps of the process are:

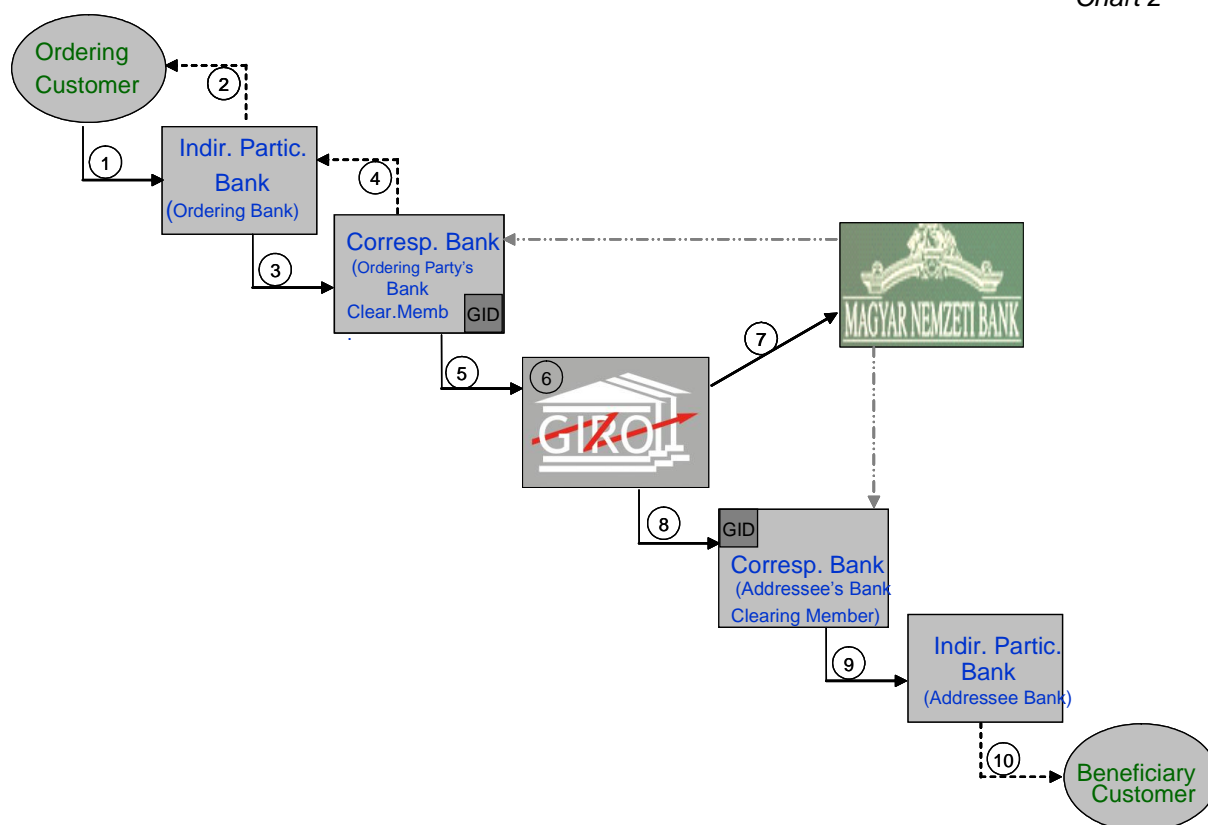
1. Order is submitted [for T-1 day].
2. Ordering Customer's account is debited [on T-1 day] (displayed on the account statement).
3. Interbank transaction is sent [T-1 day].
4. Transaction is received, cleared (taking into account the limit) and the interbank position is calculated [for T settlement day].
5. Interbank position is sent and received [for T settlement day], bank accounts are debited and credited, banks notified.
6. Transactions are sent and received [for T settlement day].
7. Beneficiary Customer's account is credited (displayed on the account statement).

The IG1 platform makes the clearing of only those transactions where the ordering customer's account and the Beneficiary Customer's account are kept with different Clearing Members.

Note: GID indicates the bank's GIRO endpoint

Initiation of Interbank Payments via Correspondent Banks (general process)

Chart 2



The individual steps of the process are:

1. Order is submitted to non-Clearing Member (Indirect Participating) Bank.
2. Ordering Customer's account is debited (displayed on the account statement).
3. Indirect Participating Bank submits its customer's order to its Correspondent Bank [for T-1 day].
4. Correspondent Bank makes the settlement with its Indirect Participating Bank (prepares an account statement) [on T-1 day].
5. Interbank transaction is sent [T-1 day].
6. Transaction is received, cleared (taking into account the limit) and the interbank position is calculated [for T settlement day].
7. Interbank position is sent and received [for T settlement day], bank accounts are debited and credited, banks notified.
8. Transactions are sent and received [for T settlement day].
9. The correspondent bank credits the Indirect Participating Bank's account (prepares an account statement).
10. The non-Clearing Member (Indirect Participating) Bank credits the Beneficiary Customer's account (displayed on the account statement).

The IGI platform makes the clearing of only those transactions where the Ordering and the Beneficiary (Indirect Participating) Banks' accounts are kept with different Clearing Members.

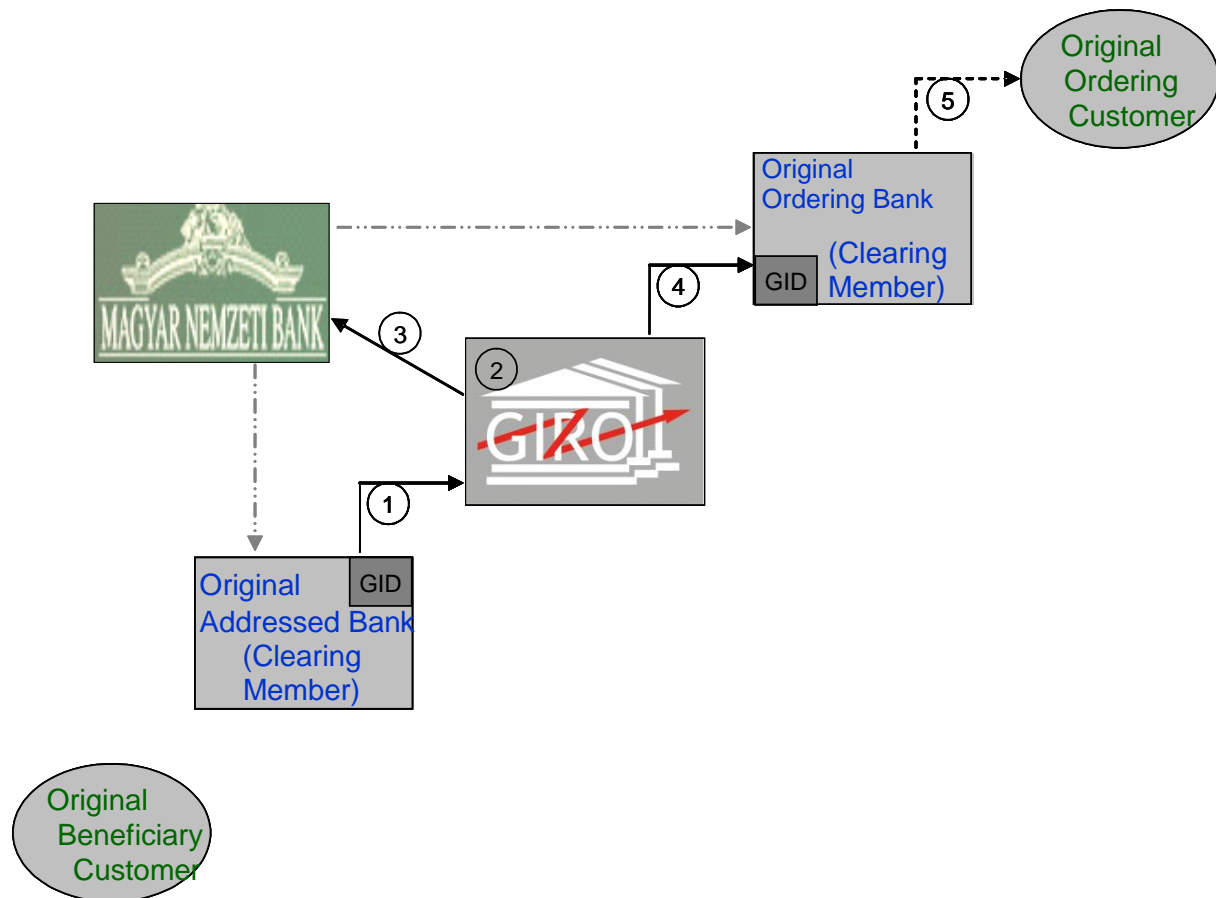
Note: GID indicates the bank's GIRO endpoint

In case the rules of the given method of payment dictate so, the Addressed Bank sends a response transaction to the Ordering Bank (e.g. rejecting orders that cannot be fulfilled, or fulfilling collection orders) which is illustrated by the chart below.

Responding to or Rejecting a Payment Transaction

(general process)

Chart 3



The individual steps of the process are:

1. Response transaction is sent [T-1 day]
2. Response transaction is received, cleared (taking into account the limit) and interbank position is calculated [for T settlement day].
3. Interbank position is sent and received [for T settlement day], bank accounts are debited and credited, banks notified.
4. Response transaction is sent and received [for T settlement day].
5. Response transaction is credited to the ordering customer's account indicated in the original transaction (displayed on the account statement).

Note: GID indicates the bank's GIRO endpoint

In the following chapters a description is given of the clearing services provided by GIRO Zrt. and of the processes associated with the services through transaction and message standards involved in the processing.

Apart from the basic functions the optional functions – in other words those that can be requested by Clearing Members – are also described in sections where the process of the given service is illustrated, and these are depicted in more details in **Appendix 3** of this Volume.

2. Clearing Services Provided by GIRO Zrt.

GIRO Zrt. – in accord with the stipulations of ICS Business Rules – categorizes the clearing services into two types:

- processing of single transactions,
- processing of multiple payment orders submitted directly.

In the following the individual services are briefly described, as well as the transactions to be exchanged within the scope of each service are set out by indicating the abbreviations (used in the ICS IG1 Standards, Volumes II and III) of standardized transaction codes, subcodes and electronic messages.

2.1. Single Transactions

Given that there are certain variations in and special features of payments, two types of processing are differentiated within single transactions, namely the processing of single- and that of multiple payment orders.

The reason for categorizing these into the same transaction type is that in case of both types of payment orders the Clearing Members generate standardized, single transactions – from the data of orders submitted by their customers –, which have all the special features of this method of payment.

The Clearing Members forward single transactions in banking sending remittances (**SR.002**) towards the IG1 platform of the Interbank Clearing System. Those Clearing Members, who are the addressed parties of orders from the IG1 platform, receive the cleared/processed transactions in banking receiving remittances (**RR.020**) as single transactions.

The detailed formal and contentual rules applicable to the fulfilment of single interbank (sent and received) transactions, to banking sending and receiving remittances as well as those concerning the creation and interpretation of different reports are included in IG1 Standards, Volume II.

The standard identifier of single transactions is a number code consisting of a 3-digit code and a two-digit subcode, e.g. (001-00)

The logical data flow of single transaction processing is included in IG1 Standards, Volume II.

2.1.1. Single Payment Orders

These orders are always related to funds movement between a Debtor's and a Beneficiary's account.

In the following the transaction names are listed, which are generated from single payment orders, also indicating the three-digit code and the two-digit subcode of transactions.

Simple credit transfer

- Credit transfer (001-00) – Return (201-00)

Bank-to-bank credit transfer

- Credit transfer 082-00) – Return (282-00)

Direct credit

- Credit transfer (001-01) – Return (201-01)

- Documentary credit (letter of credit)
 - Fulfilment (001-02) – Return (201-02)
- Bill of exchange collection order (bill of exchange collection)
 - Fulfilment (002-01) – Return (202-01)
- Cheque prompt collection order
 - Fulfilment (002-03) – Return (202-03)
- Collection on Letter of Authorization (prompt collection)
 - Advice (092-00) – Rejection (292-00)
 - Fulfilment (002-00) – Return of fulfilment (202-00)
 - Advice on queuing of collection items initiated via the ICS IG1(692-00)
- Credit transfer initiated by authorities
 - Fulfilment (002-00)² – Return (202-00)
- Credit transfer initiated by judge's decision
 - Fulfilment (002-00) ³– Return (202-00)
- Term collection order (term collection)
 - Advice (093-00) – Rejection (293-00)
 - Fulfilment (003-00) – Return of fulfilment (203-00)

2.1.2. Multiple Payment Orders

The Clearing Members on the IG1 platform may effect – from among multiple payment orders – transactions of multiple credit and/or debit orders.

A multiple credit order applies to funds movement between one Debtor's account and several beneficiaries' accounts, a multiple debit order represents link between one Beneficiary's account and several Debtors' accounts.

In the following the names of the single transactions, which include multiple payment orders are listed, also indicating the three-character code and the two-character subcode of the transactions:

- Multiple credit order
 - Transfer (007-01) – Return (207-01)
- Multiple debit order
 - Advice (094-00) – Rejection (294-00)
 - Fulfilment (404-00)

2.2. Processing of Multiple Payment Order Messages Submitted Directly

GIRO Zrt, within the scope of clearing services, makes it possible for its Clearing Members that they give permission to their corporate customers to directly submit and transmit their multiple payment orders (MPO) to GIRO Zrt via Electra system. Account holders directly linked to the Interbank Clearing System are defined as Direct Submitters in the documents of GIRO Zrt.

The Direct Submitter transmits its orders, which from a certain aspect belong to the same group, in a so-called MPO message file consisting of several payment items. The items of the message are processed and cleared by the IG1 platform as single transactions. Responses to payment items are also sent with single transactions. The Direct Submitter receives

² GIRO Zrt. suggests using transaction codes of 002-00 for fulfilment and 202-00 for returns

³ GIRO Zrt. suggests using transaction codes of 002-00 for fulfilment and 202-00 for returns

information about the responses in a multiple report message, which relates to the original multiple order.

There are several different standard identifiers of MPO messages. In this Volume the more „expressive” identifier is used: CS-<message type>, PK-<message type> e.g. CS-ATUTAL. Another, also frequently used identifier is <shortname > [.file extension], e.g. CSÁT.121.

In the following those multiple payment order messages are listed, which are received or sent by the Direct Submitter:

Multiple Credit Order Messages

CS-ATUTAL	multiple credit	–	CS-STATUS	the result of checking
			CS-FEDSTA	the result of processing
			CS-DETSTA	responses

Multiple Debit Order Messages

CS-BESZED	multiple debit	–	CS-STATUS	the result of checking
			CS-DETSTA	responses

Multiple (Postal) Payment Order Messages

PK-ATUTAL	Cash payment	–	PK-STATUS	the result of checking
			PK-FEDSTA	the result of processing
			PK-DETSTA	responses / postal payment identifiers

The multiple (postal) payment order is a special order. In case of this order the coverage of postal orders – and of their postal fees – is cleared in one amount. The payment items themselves are settled in the system of the Postal Clearing Centre (PEK – Posta Elszámoló Központ) as standard PEK postal payments. The responses include the identifiers of postal payments received by PEK, i.e. the postal payment receipts.

In the following those MPO messages are listed, which are received or sent as responses by the account keeping bank (Clearing Member) of the Direct Submitter:

Multiple Credit Order Messages

CS-FEDKER	asking for information on the balance	–	CS-FEDJEL	indicating the result of balance checking
CS-FEDEL	checking the result of balance checking		CS-FEDSUM	summarizing the processing of orders permitted to be cleared

Multiple Debit Order Messages

BESINF	collection information
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Multiple (Postal) Payment Order Messages

PK-FEDKER	asking for information on the balance	–	PK-FEDJEL	indicating the result of balance checking
PK-FEDEL	checking the result of balance checking		PK-FEDSUM	summarizing the processing of orders permitted to be cleared

The detailed formal and contextual rules applicable to the creation and interpretation of the different reports used for the fulfilment of multiple payment orders submitted by Direct Submitters are included in the IGI Standards, Volume III.

3. Clearing Process on the IG1 platform

3.1. The First Settlement Cycle

3.1.1. Preparing Interbank Transactions for Sending

The credit institution receives and processes – in accord with the effective NBH legal regulations on fund transfer – the single and multiple payment orders of its customers, then creates the **transactions** to be sent to the IG1 platform.

A Clearing Member groups the following transactions into the **sending remittance (SR.002)**:

- standard transactions (e.g. simple credit transfers, multiple credit transfers) received from its customers for current day's fulfilment, which are generated from the data of payment orders requiring interbank clearing,
- transactions sent by the Clearing Member itself (e.g. bank-to-bank),
- responses to be sent to transactions received previously from another bank (e.g. fulfilment of prompt collection orders),
- reject transactions in order to return transaction amounts received previously from a partner bank, but which cannot be credited to the beneficiaries' accounts.

The detailed rules of creating interbank transactions and compiling banking sending remittances are included in the ICS IG1 Standards, Volume II.

3.1.2. Ensuring Bank Limits for the Settlement

Clearing Members ensure a **limit** – the way it is regulated by the National Bank of Hungary, and in co-operation with the NBH and KELER – for the coverage of the following day's settlement.

The National Bank of Hungary notifies GIRO Zrt. about the Clearing Members' individual **limits (LIMITS1.TXT)**. The IG1 uses the **LIMITS1.ACK** message to give electronic feedback on the receipt of the file and on the result of its checking.

3.1.3. Sending Interbank Transactions

Clearing Members may forward to the IG1 platform the banking sending remittances, which include interbank transactions, within a time period specified in the effective ICS Business Rules.

Clearing Members prepare banking sending remittances signing them with GIROLock and transferring them to the IG1 platform through Data Transmission System (GIROHáló) operated by GIRO Zrt., to which the Clearing Members are linked via their banking GIRO endpoints, GIDs. The electronic signature ensures that the authenticity and integrity of the files is verifiable and that the fact of files' sending is undeniable.

The IG1 platform checks the banking sending remittances and the transactions included in them and within one hour following the receipt of packages reports the result of checking to the sending Clearing Member in the **Prompt Feedback (AV.LOG and AV.REF)** file. On the basis of any error reported, the Clearing Member has the option to correct and repeatedly send the erroneous remittance and/or transaction.

3.1.4. Rules Regarding the GIRO-side Receipt

Transactions sent by Clearing Members for interbank clearing and the data files (remittances), which include these in a standard format are checked by the IG1, following which it sends a feedback on the result of checking to the Clearing Members in a standard form defined in the previous subsection.

In the event GIRO Zrt. in its feedback indicates the receipt of error-free transactions, then the transactions are deemed to have been accepted for processing.

3.1.5. Clearing

Based on the regulations of the effective ICS Business Rules, GIRO Zrt. makes the clearing of only those payment orders, which are received.

A payment order sent by a Clearing Member can be considered to be **received** in case

- the Clearing Member has sent its payment orders for T settlement day to GIRO Zrt. until the time specified in the effective ICS Business Rules,
- GIRO Zrt. has taken the payment orders for processing,
- The Clearing Member did not recall the transaction(s) till the time given in the effective ICS Business Rules, and
- GIRO Zrt. had no information before the start of processing in the given clearing section about the commencement of any payment restriction proceedings against the Clearing Member until the time specified in the effective ICS Business Rules,

and on the basis of the above described conditions GIRO Zrt. has started the processing, clearing.

Interbank clearing is done by remittances. Remittances are cleared in the same sequence as packages including the remittances are received by the the IG1 platform.

The sequence in which the remittances are cleared is defined by the Clearing Member by how transactions are sorted into remittances, how the remittances are put into packages and in what sequence the packages are sent.

On clearing each and every remittance the the IG1 performs a check on the basis of the available limit and the credit transfers/orders received and so far cleared, whether the Debtor Clearing Member has sufficient coverage. In case of insufficient coverage the remittance is queued, and the system makes an attempt to clear it every time a credit order is sent for the Clearing Member, however, any additional remittance sent by the Clearing Member shall be processed only in case the remittance queued before it had been cleared successfully (so-called FIFO, „First In – First Out” method of processing).

Transactions sent by the Clearing Members are processed and cleared by the IG1 in the **First Settlement Cycle** twice, *in two clearing sections* – at the times specified in the effective ICS Business Rules.

In the First Clearing Section the sending remittances – orders of Direct Submitters – generated by GIRO Zrt. from orders directly submitted for T-day the Clearing Members' sending remittances received *in the First banking sending section* are processed.

The IG1 platform will clear MCO messages directly submitted in the order of the arrival of the account keeping bank's permission (in FEDJEL message). PKUTAL

messages will be cleared at the end of the first cycle only when IG1 has received correct responses for **all PKUTAL items** from the direct submitters' account-keeping banks requiring exchange of messages on balance checking (can be settled / cannot be settled / pending).

In the Second Clearing Section Clearing Members' sending remittances received **in the Second banking sending section** are processed and cleared along with remittances generated by the IG1 from multiple messages submitted directly and not yet cleared in the First Clearing Section. Remittances left in the queue at the end of the First Clearing Section are processed in the Second Clearing Section, thus coming before remittances received in the Second banking sending section.

PKUTAL messages will be cleared always in the Second Clearing Section at the end of the first cycle only when the IG1 has received correct responses for **all PKUTAL items** from the direct submitters' account-keeping banks requiring⁴ exchange of messages on balance checking (can be settled / cannot be settled / pending). IG1 tries to clear all multiple payment orders at the end of the First Clearing Cycle. IG1 will process the unanswered MCO orders depending on the requirements (previously defined and stored in the Central Registry) of the account keeping bank (to be cleared / to be rejected / to be deferred).

Remittances left in the queue at the end of the Second Clearing Section – that is the First Settlement Cycle – are cleared during the morning dequeuing Second Clearing Cycle (see later), or rejected due to insufficient coverage of the sending bank.

In case the Clearing Member fails to accomplish sending its orders for settlement on T day before the end of the Second banking sending section, then by taking into account the regulations of the effective ICS Business Rules, it may use the extraordinary sending option offered by the IG1. Banking sending remittances received **in the Extraordinary Sending Section** are processed **in the Second Settlement Cycle**, together with remittances left in the queue due to insufficient coverage.

3.1.6. Settlement

The **National Bank of Hungary** debits or credits the current accounts of Clearing Members on the basis of reports received from the IG1 platform, which list the payables and receivables due to/from one Clearing Member to/from another.

The following reports are prepared for NBH by the IG1 platform:

- the Clearing Members' payments sent to and received from one another, in a breakdown by clearing members, separately indicating the cumulated balance of payable and receivable items (**Analytic IBI Matrix, IBI01.034**),
- the summarized sent and received turnover, which is summarized at the clearing member level (**Synthetic IBI Matrix, IBIS01.035**),
- the summary statement of the Clearing Members' intended, actual and queuing turnover items, in which the number and sum of transactions are indicated by Clearing Members (**SUMITUP1, SP.095**).

⁴ The IG1 platform can omit the exchange of messages on balance checking according to the account keeping bank's requirements (previously defined and stored in the Central Registry) valid for the given month.

3.1.7. Receiving the Clearing Results of the First Cycle

Every Clearing Member is obliged to receive the files including the result of interbank clearing.

Clearing Members receive successfully cleared interbank transactions sent to them by the other banks in (compressed, electronically signed) banking **Receiving Remittances (RR.020)** via their banking GIRO endpoints, GIDs.

Clearing Members receive comprehensive information on the clearing results after the completion of the **First Settlement Cycle**.

The IG1 platform provides the opportunity, that instead of receiving the results on the entire turnover of the First Settlement Cycle, the Clearing Members are promptly informed about the result of clearing done in phases, in other words

- transactions cleared in the First banking sending section are available in the receiving remittances after the completion of the **First Clearing Section**,
- transactions settled in the **Second Clearing Section** are available in the banking receiving remittances after the completion of the **First Settlement Cycle**. At this point all the clearing results of the First Settlement Cycle are transmitted.

Clearing Members are informed about the progress of clearing in the following reports sent by GIRO Zrt.:

- the result of clearing of banking sending remittances transmitted by them (**Checking Report, CR.006**),
- transactions received by them (**Receiving Remittance, RR.020**),
- items sent by them and addressed to them, the so-called intended and actually sent and received items, as well as the number and sum of transactions left in the queue due to insufficient coverage at clearing member level (**SUMITUP1, SP.090**), furthermore – on special request by the clearing member – the queued items at Indirect Participating Bank level and by bank branches (**SUMFIOK1, SF.091**),
- the sum total of turnover sent in the **Extraordinary Sending Section** and left in the queue in the **First Settlement Cycle** at clearing member level (**SUMITUPX, SP.090**), furthermore – on special request by the clearing member – by Indirect Participating Banks and by bank branches (**SUMFIOKX, SF.091**),
- Clearing Member's position with regard to other Clearing Members, namely the payables and receivables established during the course of the completed interbank clearing (**Bank Position Report, BPR.030**).

3.2. Extraordinary Sending Section

In case the Clearing Member fails to accomplish sending its orders for settlement on T day before the end of the Second banking sending section, then by taking into account the regulations of the effective ICS Business Rules, it may use the extraordinary sending option offered by the IG1 platform.

3.2.1. Sending of Interbank Transactions

Clearing Members may send their transactions in the Extraordinary Sending Section the way it is described in subsection 3.1.3. of this volume of Standards.

Clearing Members may use the extraordinary sending facility on each settlement day during the time period of operation specified in the effective ICS Business Rules and with the fees given in the ICS's Fee Regulations .

3.2.2. Receiving Reports

Clearing Members are informed about the transactions sent in the Extraordinary Sending Section at clearing member level (**SUMITUPX, SP.090**), furthermore – on special request by the clearing member – from the report by Indirect Participating Banks and by bank branches (**SUMFIOKX, SF.091**).

3.2.3. Clearing

The remittances (transactions) received for processing in the Extraordinary Sending Section, are automatically queued for processing in the Second Settlement Cycle.

3.3. Second Settlement Cycle

3.3.1. Dequeuing

Clearing Members are informed about the sum of their transfers, which were unfulfilled (left queued) due to insufficient coverage or late sending in the report (**SUMITUP1 / SUMITUPX**) received from the IG1 platform. The sum of the total coverage required to clear queued transactions must be made available by Clearing Members in accordance with the regulations of the National Bank of Hungary.

3.3.2. Permitting Dequeuing

The National Bank of Hungary provides information on each clearing member to GIRO Zrt. – until the time specified in the effective ICS Business Rules – on the availability and/or lack of coverage of transactions waiting for settlement and about any permission or refusal of dequeuing (**LIMITS2.TXT**). The receipt and checking result of the file including dequeuing permissions is confirmed to NBH by IG1 platform with an electronic message (**LIMITS2. ACK**).

3.3.3. Clearing

In the Second Settlement Cycle the sending remittances – queuing at the end of the First Settlement Cycle and/or transmitted for processing in the Extraordinary Sending Section – of Clearing Members with dequeuing permission are cleared by the IG1 platform.

Remittances, which cannot be cleared due to lack of dequeuing permission, are rejected for the sending Clearing Member.

The National Bank of Hungary receives the reports prepared on the interbank payable and receivable items (**IBI Matrix, SUMITUP2**), which are generated in the Second Settlement Cycle.

3.3.4. Settlement

Settlement after the Second Settlement Cycle is done in the same way as in case of the first cycle (see: 3.1.6. *Settlement*), but this time the numbering of reports prepared for the *National Bank of Hungary* is altered:

- **Analytic IBI Matrix, IBI02.034**
- **Synthetic IBI Matrix, IBIS02.035,**
- **SUMITUP2, SP.095.**

3.3.5. Receiving the Result of the Second Settlement Cycle

During the **Second Settlement Cycle** the IG1 platform sends the files on the clearing results to not only those Clearing Members, who were affected by this clearing either because of queuing – in the First Settlement Cycle transactions sent by them or addressed to them were left in the queue – or because of the extraordinary sending facility. Clearing Members not affected in the Second Settlement Cycle receive empty files.

After completion of the **Second Settlement Cycle** affected Clearing Members can receive the reports – during the time period specified in the effective ICS Business Rules – including the result of clearing, namely:

- the banking receiving remittances (**RR.020**) including the successfully cleared interbank transactions sent for them by the other banks,
- **Checking Reports (CR.006)** including the result of clearing and / or rejection due to insufficient coverage (lack of dequeuing permission) of the sending remittances sent by them,
- the number and sum of transactions cleared (sent and received) in the **Second Settlement Cycle** at Clearing Member level (**SUMITUP2, SP.090**),
- Clearing Member's position with regard to other Clearing Members, namely the payables and receivables established during the course of the completed interbank clearing (**Bank Position Report, BPR.030**).

3.4. Processing of Clearing Results by the Clearing Member

Clearing Members must handle transactions received in banking receiving remittances according to the given method of payment, in accord with the legal regulations on fund transfer.

Clearing Members credit the credit type transactions to the beneficiaries' bank accounts and inform the customers about it in account statements.

Those credit transfer transactions as well as transactions aiming at fulfilling debit orders, but of which the credit posting has failed, must be rejected for the sending Clearing Member with an indication of the reason for rejection (rejection codes are set out in Appendix 8 of the ICS IG1 Standards, Volume II).

Clearing Members – based on an authorization from the customer – debit the given amount, on the value date specified in the transaction, to the Debtors' accounts indicated in the **multiple debit order transactions (094-00)** received in the banking receiving remittances (inform the customer in an account statement), then **transfer** the collected amount to the Creditor's Bank **with a debit order fulfilling transaction (404-00)**.

Those debit order transactions, which cannot be fulfilled are queued⁵ or rejected in accordance with the payment method rules.

Clearing Members forward the **fulfilled debit orders (of codes 002, 003, 404)**, and the **reject transactions (of codes 292, 293, 294)** as well as **transactions returning the received credit transfers (of codes 201, 202, 203, 207, 282)** to the IG1 platform for the following day's settlement.

⁵ Multiple debit transactions can be queued up for 4 days, but no information is needed on their queuing. During the answering time interval either fulfilling transactions (of code 404-00) or – for example in case of lack of funds - rejections (of transaction code 290-00) must be sent.

4. Special Features of Multiple Payment Orders

The legal regulations on fund transfer regulate the application of multiple payment methods in a substantially different way – regarding two aspects – from single payment orders.

One of the differences applies to the relationship between the account holder submitting the multiple payment order and the account keeping credit institution, the other one affects the handling of authorizations submitted by the Debtors, which represents the precondition for the fulfilment of multiple debit orders.

Variations in the method of receiving and processing, which arise from the differences, are described in the following sections.

4.1. The Relationship between the Account Holder and the Account Keeping Credit Institution

The legal regulations on fund transfer allow the use of paper-based advices for the submission of single payment orders, at the same time it is also possible that credit institutions establish an electronic link with their account holders and receive their orders electronically.

Multiple payment orders are submitted in accordance with the legal regulations on fund transfer, in the form of standard Multiple Payment Order messages.

4.2. Creation of Banking Sending Remittances

When compiling banking sending remittances (**SR.002**), Clearing Members may choose between the following two options:

- the compiled banking sending remittance either includes both multiple transactions and single payment orders, or
- multiple credit order and multiple debit order transactions are sorted (also separated from one another) into different banking sending remittances (homogenous remittance).

The latter option must be selected in case the Clearing Member wishes to receive the report, which provides information on the responses received to multiple payment initiating transactions (**DETSTA, DR.042**).

Packaging and forwarding of banking sending remittances is done as described under section 3.1.3 of this volume of Standards.

4.3. Checking of Banking Sending Remittances

Based on the Central Registry, which is managed and maintained by GIRO Zrt. and is monthly sent to the Clearing Members, the IG1 platform, during the course of checking multiple transactions also checks the following additional aspects:

- in case of multiple credit and multiple debit transactions it checks whether the ordering party and the addressed credit institution are entitled to send and receive the given type of multiple transaction respectively, and also whether
- in case of multiple debit transactions the Beneficiary account holder received authorization from the ordering credit institution to send multiple debit orders.

The **Central Registry** includes two types of data set. One data set represents the basis of daily processing and of checking (scope of activities of the banking participants, standards applicable to direct submissions, authorized collectors, etc.) while the other data set supports human communication (e.g. handling complaints, dispatching authorization documents, etc.).

Data relevant to credit institutions, collectors and branches that receive authorizations is monthly published by GIRO Zrt. for its Clearing Members in the following file

- the bank-, branch- and collectors' file (**BK.Vvv, FI.Vvv, SZ.Vvv**) including the **entire data set**, which is valid from a given point of time,
- the bank-, branch- and collectors' file (**BK.Mvv, FI.Mvv, SZ.Mvv**) including **data that had been modified** since the previous version, which is valid from a given point of time.

The standard description of the files is included in the Chapter of 'Environmental Standards' of the ICS IG1 Standards, Volume III.

4.4. Responses to Multiple Order Transactions

Multiple order transactions must be responded by the addressed credit institution in a manner and at a point of time specified in the legal regulations on fund transfer.

The IG1 platform

- accepts responses to multiple credit order transactions until the 4th working / 5th settlement day following the day of credit transfer's settlement,
- accepts responses to multiple debit order transactions until the 4th working / 5th settlement day following the day of debit indicated in the transaction.

Response transactions sent beyond the above specified deadlines will be rejected by the IG1 platform.

In case the Beneficiary's Bank does not send a reject transaction to the multiple credit transactions during this period of time, then the Debtor's Bank – according to the payment order – will consider it as fulfilled.

In case the Debtor's Bank sends no response to either confirm the fulfilment or reject the multiple debit transaction, then the Beneficiary's Bank will consider it as unfulfilled.

4.5. Handling of Authorizations

A precondition for fulfilling multiple debit orders is that the Debtor gives authorization to his account keeping bank and that the account holder submitting the multiple debit order (the Collector) is also informed about it.

Credit institutions forward the data of authorizations received from the Debtors in the form of standard electronic messages to the Collector, via the IG1 platform and via the bank transferring the Collector's authorization.

The message types, standards as well as the aspects of identifications and checking associated with the transmission of authorizations via the IG1 platform are included in the ICS IG1 Standards, Volume III.

4.6. Checking and Transmission of Authorization Data

GIRO Zrt. uses the IG1 platform for transmitting authorization data, which form an organic part of the payment method of multiple debit orders.

The IG1 maintains a *direct* link only with the Clearing Members, the link with the Collector (service provider) is *indirect*, established via the bank transmitting the Collector's authorization. *The Collector may report only a Clearing Member to be the authorization transmitting bank.*

In case the account keeping bank of the Debtor Customer is not a Clearing Member, then the link between the bank and the IG1 platform is established through a Correspondent Bank (Clearing Member), by using the Clearing Member's GIRO endpoint, GID.

Only the Debtor's account keeping bank may send authorizations to the IG1 platform!

GIRO Zrt. performs the checking of authorization messages sent by the Debtors' Banks on the basis of the following main aspects

- compliance with the standards,
- whether the sending bank is entitled to receive multiple debit orders,
- whether the addressed Collector is existent.

The IG1 platform forwards the authorization messages found error-free during checking to that Clearing Member, who is registered by GIRO Zrt. in the Central Registry as the authorization transmission bank of the Collector. Erroneous messages are rejected for the sending bank (indicating the cause of the error).

GIRO Zrt. performs the checking of authorization response messages sent by the Collectors' Banks on the basis of the following main aspects

- compliance with the standards,
- whether the Clearing Member forwarding the response has authorization to forward the response,
- whether the Collector is existent,
- whether the Debtor's account keeping Clearing Member is entitled to receive.

The IG1 platform forwards the response messages found error-free during checking to the addressed (Debtor) Clearing Member, while erroneous messages are rejected (indicating the cause of the error) for the response sending (authorization transmitting) bank.

The authorization message transmission service of GIRO Zrt. is available to the Clearing Members within the time period specified in the effective ICS Business Rules.

The information flow of the Process of Authorization is included in **Appendix 2** of this volume of Standards.

5. Clearing Process of Multiple Payment Orders Submitted Directly

By taking into account the regulations set out in the legal regulations on fund transfer, in the effective ICS Business Rules and in the ICS IG1 Standards, Volume III, GIRO Zrt. provides support to the Clearing Members to facilitate for their account holders the application of multiple payment methods as well as postal payment orders in a manner, that the transmission of electronic messages necessary for fulfilling the orders takes place *directly* between the account holder and GIRO Zrt..

A Clearing Member's corporate customer linked directly to GIRO Zrt. with a clearing member licence is a Direct Submitter according to the stipulations of the effective ICS Business Rules.

Direct Submitter may establish a link to the Interbank Clearing System with the application of the interface ensured by GIRO Zrt. The interface application called Electra is used by Direct Submitters to generate the electronic messages for multiple orders and forward them to the IG1 platform, as well as this Electra application enables them to receive messages sent to them and prepare these for further processing.

The formal and contextual regulations applicable to transmitted messages are included in the ICS IG1 Standards, Volume III.

5.1. Submission and Confirmation of Orders

Direct Submitters may transfer their multiple payment orders (**CS-ATUTAL**, **CS-BESZED**, **PK-ATUTAL**) within the time periods specified in the effective ICS Business Rules.

GIRO Zrt. makes the confirmation (**CS-STATUS**, **PK-STATUS**) on the result of checking of the received orders within one hour after submission and sends it to the Direct Submitter.

The feedback given to multiple postal payment orders (**PK-STATUS**) also includes the amount of postal payment fees payable on error-free items.

Based on the provisions of the effective ICS Business Rules, a Direct Submitter may also submit its multiple credit orders and multiple postal payment orders to GIRO Zrt. – with the permission of its account keeping bank – as orders for same-day⁶ fulfilment. In this case the clearing of transactions, which have sufficient coverage is made by GIRO Zrt. on the working day following submission (T day) and the account keeping bank is debited.

5.2. Balance Checking in Case of Directly Submitted Multiple Credit Orders and Multiple Postal Payment Orders

A message asking for information on the balance (**CS-FEDKER**, **PK-FEDKER**) is forwarded – within the periods of time defined in the effective ICS Business Rules – by GIRO Zrt. to the Direct Submitter's account keeping bank on the day specified in the multiple credit order and multiple postal payment order (the debit date). In case of multiple postal payment orders the amount of coverage, which must be made available, also includes – apart from the amount to be transferred – the amount of postal payment fees, and this is also indicated separately in the message asking for information on the balance (**PK-FEDKER**).

⁶ The Electra system stores the directly submitted messages till the debit date given in the message and on the debit date – in the same day debit periode – forwards them to the GIRO.

The Direct Submitters are allowed to recall the whole message or its single items before the debit date.

The Direct Submitter's account keeping bank forwards its response given to the message asking for information on the balance (**CS-FEDJEL, PK-FEDJEL**) to the IG1 platform on the same day within the periods of time defined in the effective ICS Business Rules, and the confirmation on the response message (**CS-FEDEL, PK-FEDEL**) can be collected within one hour after receipt.

The Direct Submitter's account keeping bank, in its response, may permit, reject or defer (queue) the interbank clearing of the multiple payment order.

In case the Clearing Member **provides information** to GIRO Zrt. **in advance in a written form** that it gives authorization to **all** of its corporate customers – Direct Submitters – to have **all** the payment messages (CS-ATUTAL and PK-ATUTAL) submitted by them **cleared 'automatically' at all times** by the **IG1**, then the process of asking for information on the balance (exchange of CS-FEDKER, CS-FEDJEL, CS-FEDEL, and PK-FEDKER, PK-FEDJEL, PK-FEDEL messages) **does not take place**. In this case the **clearing** of directly submitted credit and postal payment orders takes place the soonest on the first settlement day following the debit date indicated in the (CS-ATUTAL and PK-ATUTAL) messages.

5.3. Advice in Case of Direct Multiple Debits

The Direct Submitter's Bank receives an advice from the IG1 platform on the working day following the submission of the multiple debit order about the amount intended to be collected by its account holder.

5.4. Advice on the Result of Clearing of Multiple Credit and Multiple Postal Payment Orders

On the working day following the day of balance checking GIRO Zrt. performs the clearing of multiple credit orders and of postal payment orders, which have sufficient coverage (permitted), and debits the Direct Submitter's (account keeper's) Bank, and sends an advice on the result of clearing to the Direct Submitter's Bank (**CS-FEDSUM, PK-FEDSUM**), as well as to the Direct Submitter (**CS-FEDSTA, PK-FEDSTA**).

The involved parties may take the messages within the periods of time defined in the effective ICS Business Rules.

5.5. Transfer of Cleared Multiple Postal Payment Items to PEK

The cleared items of multiple postal payment orders are transferred (in a form defined by the Hungarian Post Office concerning postal payment order transfers) by GIRO Zrt. to the Postal Clearing Centre (PEK) within the period of time defined in the effective ICS Business Rules.

5.6. Advice on the Results of the PEK Processing of Multiple Postal Payments

Following the transfer of cleared postal payment items (data of postal payment orders) to the Postal Clearing Centre, Direct Submitters may collect information about the date of postal receipt and about the postal payment identifiers in a standard message (**PK-DETSTA**), within the period of time defined in the effective ICS Business Rules.

5.7. Advice on the Responses of the Addressed Bank

Direct Submitters can daily collect information – within the period of time defined in the effective ICS Business Rules – on the items rejected by the Addressed Banks (**daily CS-DETSTA**) on the 5th working day following the clearing of multiple credit orders. A summary feedback (**final CS-DETSTA**) is prepared for them on the 5th day.

Direct Submitters can collect information – within the period of time defined in the effective ICS Business Rules – on items fulfilled or rejected by the Addressed Banks (**daily CS-DETSTA**) on the 5th working day following the debit date of multiple debit orders. A summary feedback (**final CS-DETSTA**) is prepared for them on the 5th day.

6. Appendices

Appendix 1:	The Clearing Process of Interbank Payments
Appendix 2:	The Process of Authorization
Appendix 3:	Additional, Optional Services Provided at the Clearing Member's Request

Appendix 1**The Clearing Process of Interbank Payments**

The different payment processes are depicted on flowcharts (the charts do not include the momentum of settlement).

Major communication steps between the participants and the direction of the individual steps are illustrated by arrows. In case the arrow is drawn with a continuous line, the information is transmitted by applying the standards prescribed by GIRO Zrt., while in case the arrow is drawn with a jagged line the information format may alter from the standards. Arrows drawn with lines consisting of dots indicate – standardized – steps, which have to comply with certain conditions, such as return transfer of multiple credit transfers.

In order to ensure lucidity, certain standardized feedbacks and reports are not indicated, although these are important and organic parts of the process. The detailed formal and contentual rules of these standards – as well as all the standards – are included in the ICS IG1 Standards, Volumes II and III.

„T day” indicated in the flowcharts is the day by which GIRO Zrt. performs the clearing of payment orders, and forwards the cleared transactions to the Clearing Members, and the IBI Matrix to NBH.

1. Simple Credit Transfers

By using a simple credit transfer order the Debtor gives an order to his credit institution to transfer (settle) a defined amount from his bank account to the Creditor's Bank account.

The Debtor submits his simple credit transfer order to the credit institution keeping his bank account.

The amount to be transferred is debited by the credit institution to the Debtor's account,

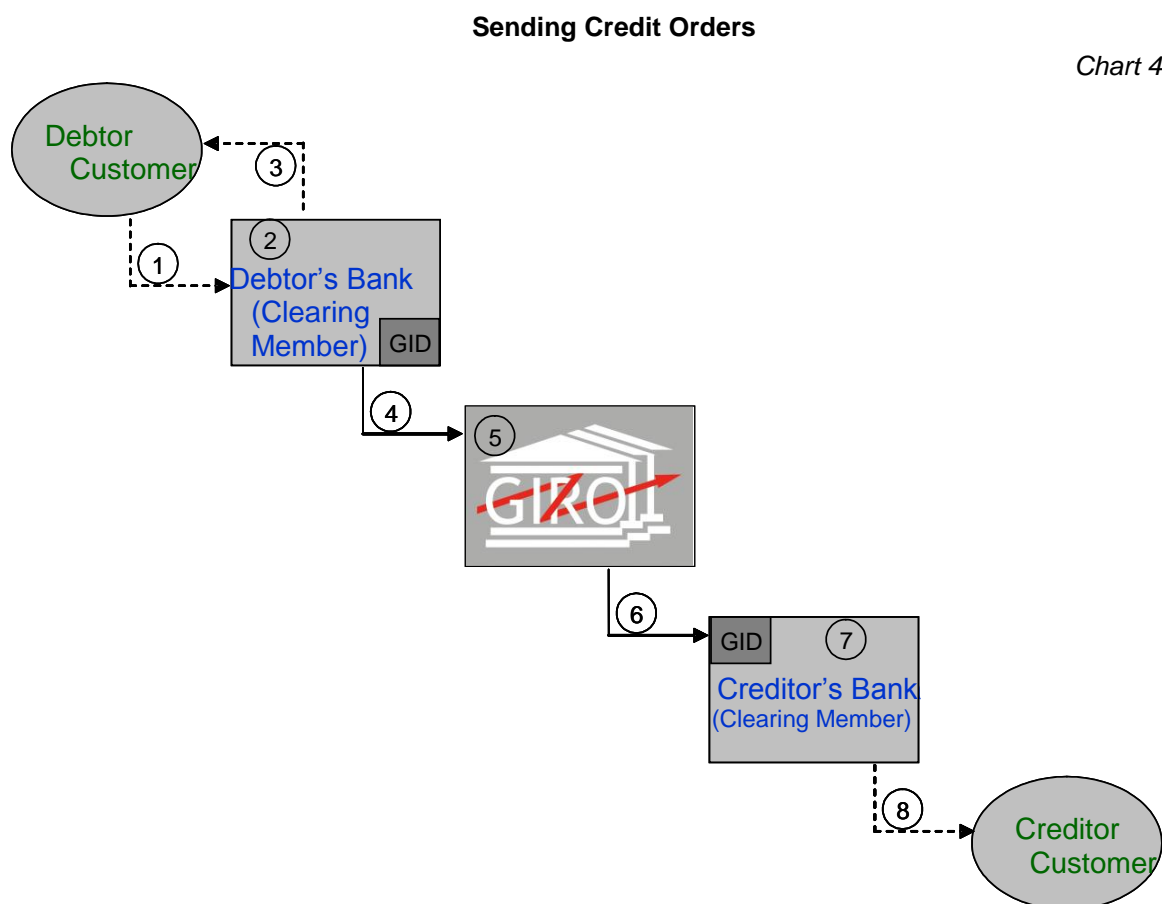
- on the day specified by the Debtor in case the Debtor indicates the value date in his order,
- on the day the order is submitted in case the credit institution accepted the order for same-day fulfilment,
- or on the working day following submission of the order.

In case the Debtor's account and the Creditor's account are kept by the same credit institution, no interbank clearing will take place.

In case the Debtor's account and the Creditor's account are kept by different banks, an interbank transfer takes place.

1.1. Credit Transfers

The process of interbank credit transfers in case of Clearing Members is shown on the flowchart below:



The individual steps of the process are:

1. The order is submitted.
2. Debtor's account is debited. In case of Bank-to-bank transfers the account separately used for Treasury operations is debited.
3. Advice to Debtor Customer is sent (account statement).
4. Transfer is sent by the Debtor's Bank [T-1 day].
5. Transfer is cleared and forwarded [for T settlement day].
6. Transfer is received by the Creditor's Bank [for T settlement day].
7. Creditor Customer's account is credited.
8. Advice is sent to Creditor Customer (account statement).

Note: GID indicates the bank's GIRO endpoint

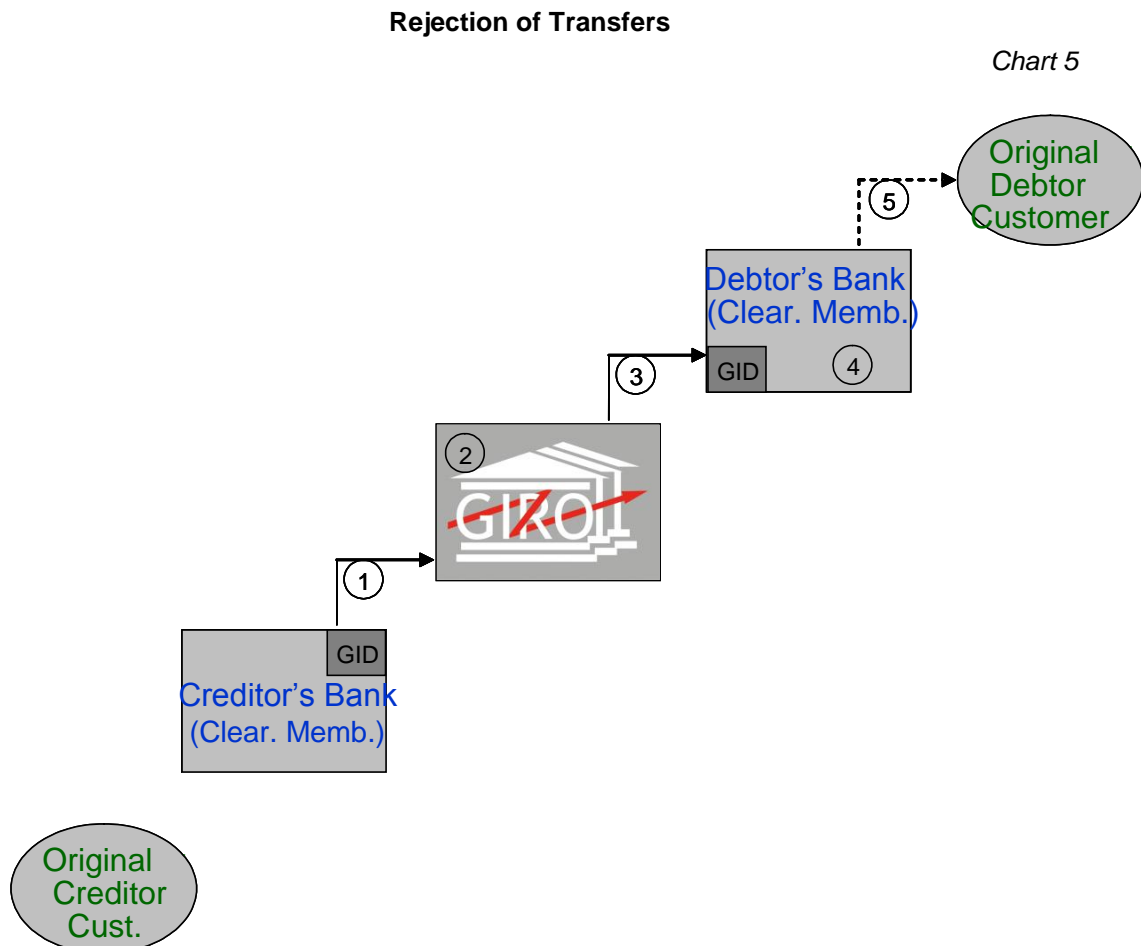
Transactions (with their codes and subcodes) involved in the process are:

- Credit order (001-00),
- Direct credit (001-01),
- Documentary credit (001-02),
- Bank-to-bank order (082-00). No customer is involved in the Bank-to-bank credit transfer, this type of order can be used by the bank when Treasury operations are cleared.

1.2. Rejection of Credit Transfers

In case the receiving credit institution cannot credit the transferred amount to the Creditor's Bank account (e.g. the account does not exist or has been terminated), the amount is returned to the credit institution keeping the Debtor's account. An Indirect Participating Bank follows the procedure agreed upon with its Correspondent bank.

In case of Clearing Members the return of credit transfer is made by performing the following steps:



The individual steps of the process are:

1. Return transfer is sent by the Creditor's Bank [T-1 day].
2. Return transfer is cleared and forwarded [for T settlement day].
3. Return transfer is received by the Debtor's Bank [for T settlement day].
4. The account of the Debtor indicated in the original transaction is credited.
5. Advice is sent to the Debtor Customer (account statement).

Note: GID indicates the bank's GIRO endpoint

Transactions (their codes and subcodes) involved in the process are:

- Return transfer of simple credit transfer (201-00),
- Return transfer of direct credit (201-01),
- Return transfer of documentary credit (letter of credit) (201-02),
- Return transfer of Bank-to-bank credit transfer (282-00).

2. The Process of Collections

Within single payment orders two types of collections are differentiated: collections based on Authorization Letter (former prompt collections) and term collections.

Collections based on Authorization Letter are submitted by the Creditor to his current account keeping credit institution. The Creditor gives an order to the credit institution to collect a defined amount to the credit of his account, by debiting the Debtor's current account.

Collection orders - except term collections - can be applied against a bank account in case,

- a.) the Debtor gives permission in a statement (Authorization Letter) to effect payment by means of submitting a collection order,
- b.) according to the bill of exchange law, the bill of exchange is presented – at maturity – for payment in the credit institution specified by the original bill of exchange holder.

The process of submitting *term collection orders* is the same as described for collection orders based on Authorization Letter, however, this type of order can be fulfilled for the purpose of enforcing a payment obligation, which had been undertaken in an agreement, and exclusively to the debit of a Debtor, who keeps an account with the Hungarian State Treasury.

The credit institution accepts the order in case submission criteria are met.

2.1. Advice on Collection Orders

In case the submitter attached some documents (e.g. bill of exchange) to his order, then the credit institution forwards one copy

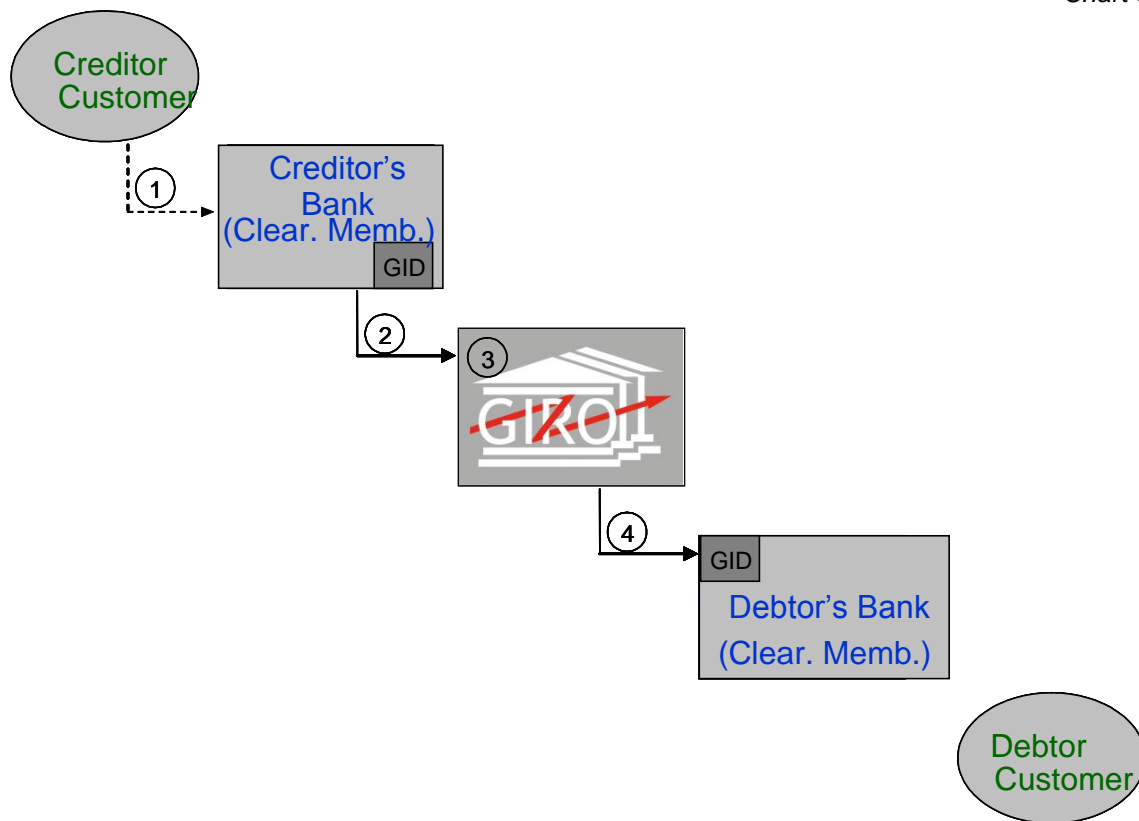
of the order together with the attached documents to the Debtor's Bank (e.g. by mail).

The credit institution can forward (sorted into remittances) only those advice transactions – generated from the data of such collection order –, to the Interbank Clearing System, to which no documents are attached. No clearing is made during the process, since in case of collection orders the advice transaction does not carry funds.

If the Debtor's Bank account is kept by another credit institution, the order needs to be forwarded as described by the flowchart below.

Advice on Collection Order

Chart 6



The individual steps of the process are:

1. Order is submitted.
2. Advice is sent by the Creditor's Bank [T-1 day]
3. Advice is forwarded
4. Advice is received by the Debtor's Bank [on T settlement day].

Note: GID indicates the bank's GIRO endpoint

Transactions (with their codes and subcodes) involved in the process are:

- Advice on collection order based on Authorization Letter⁷ (092-00),
- Advice on term collection order (093-00).

⁷ Transaction code 092-00 can also be used to initiate Credit Transfers by authorities

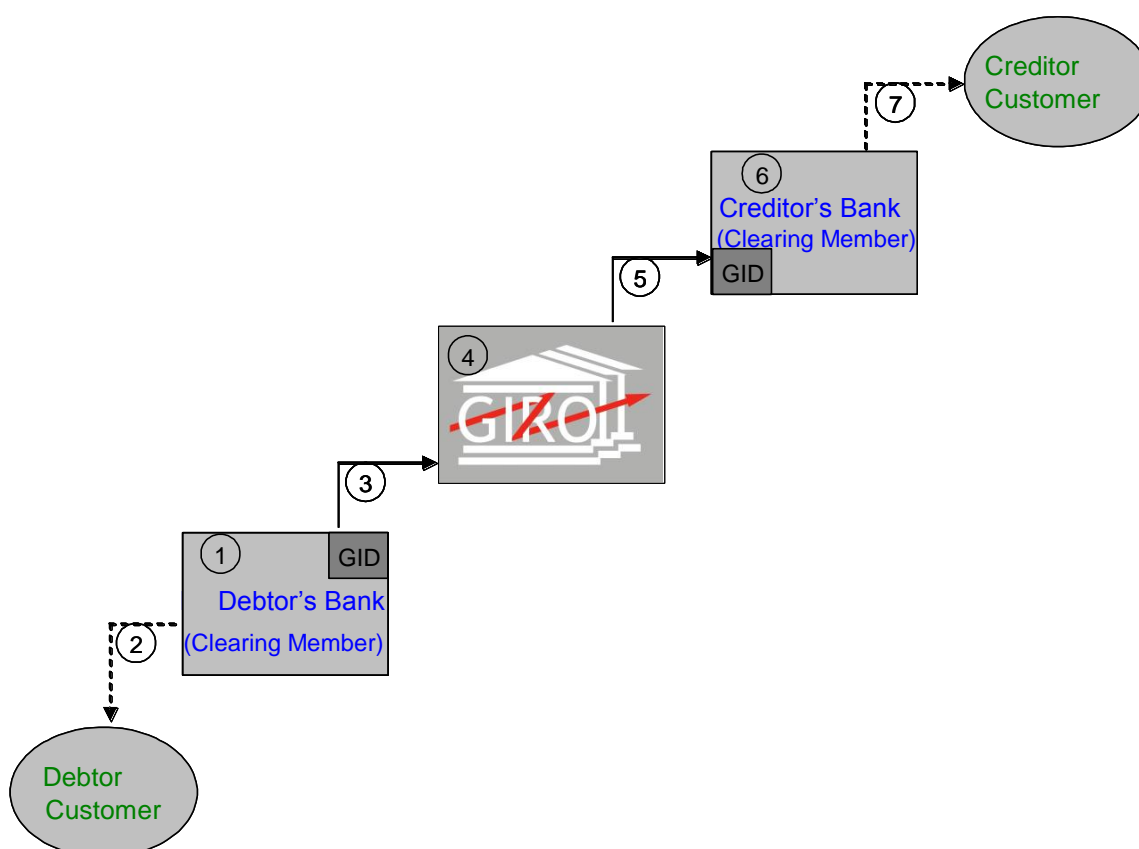
2.2. Fulfilment of Debit Orders

The credit institution debits the Debtor's account with the amount to be collected and compiles the transaction for the transfer of the amount collected. Collection orders may be fulfilled in instalments, collecting partial amounts on several occasions.

The flow chart below shows the fulfilment of debit orders involving the Clearing Members:

Fulfilment of Debit Orders

Chart 7



The individual steps of the process are:

1. Subsequent to the necessary reconciliation and successful checking: Debtor Customer's account is debited.
2. Debtor Customer is notified (account statement).
3. The amount collected is transferred by Debtor's Bank [T-1].
4. The credit is cleared and forwarded [by T settlement day].
5. Creditor's Bank receives the transfer of the amount collected [by T settlement day].
6. Creditor Customer's account is credited.
7. Creditor Customer is notified (account statement).

Note: GID indicates the bank's GIRO endpoint

Transactions (with their codes and subcodes) involved in the process are:

- Fulfilment of a collection order based on Authorization Letter⁸ (002-00),
- Fulfilment of a bill of exchange collection order (002-01),
- Fulfilment of a cheque collection order (002-03),
- Fulfilment of a term collection order (003-00).

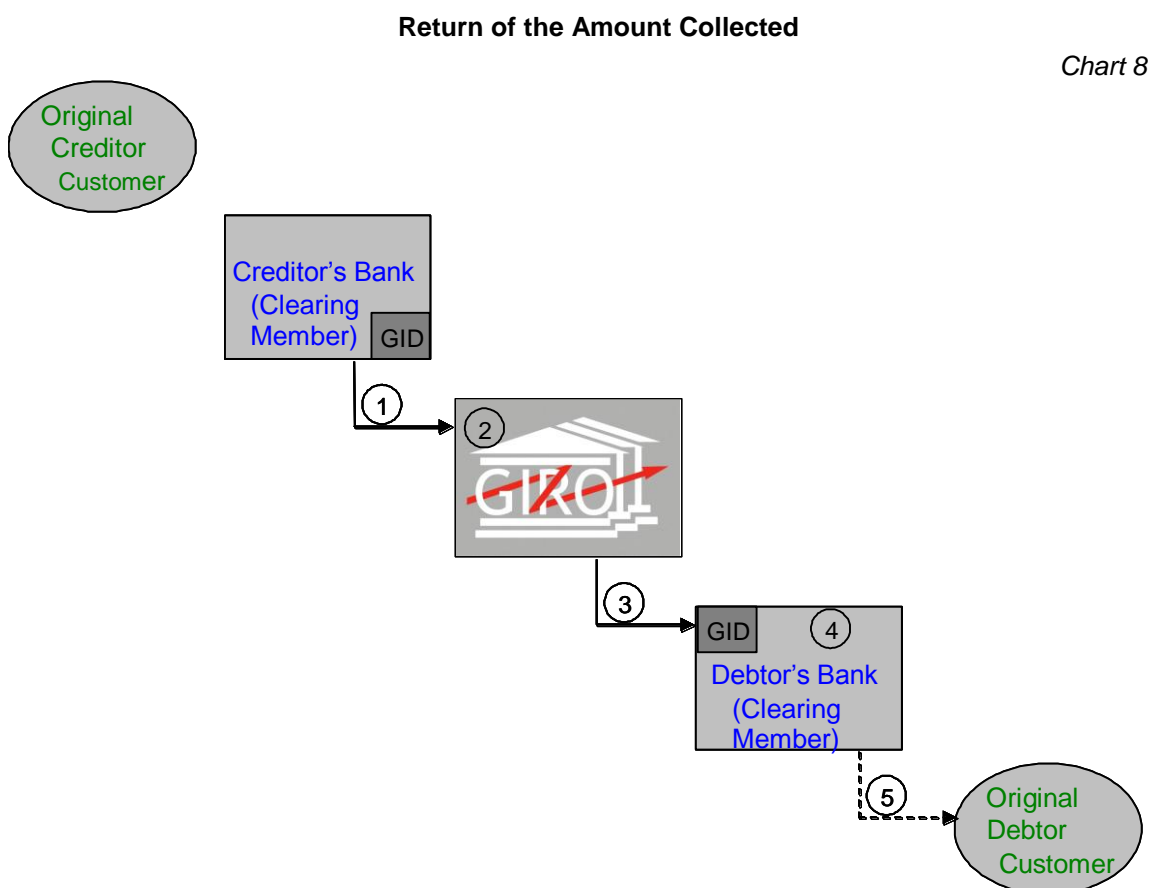
⁸ Transaction code 002-00 can also be used to execute Credit Transfers initiated by authorities and / or by judge's decision as well as fulfilling documentary debits

2.3. Return of the Amount Collected

If the amount collected cannot be credited to the Creditor's account, it is returned by the bank that originally sent the debit order.

This clearing process usually takes place when the fulfilment of a collection initiated outside the Interbank Clearing System is rejected.

In case of Clearing Members the process of return is as follows:



The individual steps of the process are:

1. The return is sent by Creditor's Bank [T-1 day].
2. The return is cleared and forwarded [by T settlement day].
3. The return is received by Debtor's Bank [on T settlement day].
4. The original Debtor Customer's account is credited.
5. The original Debtor Customer is notified (account statement).

Note: GID indicates the bank's GIRO endpoint

Transactions (with their codes and subcodes) involved in the process are:

- Return of the amount of the fulfilled collection on Authorization Letter⁹ (202-00),
- Return of the amount of the fulfilled bill of exchange collection order (202-01),
- Return of the amount of the fulfilled cheque collection order (202-03),
- Return of the amount of the fulfilled term collection order (203-00).

⁹ Transaction code 202-00 can also be used to return the amount of executed Credit Transfers initiated by authorities and / or by judge's decision as well as fulfilled documentary debits if the execution, fulfilment was done with transaction code code 002-00

2.4. Queuing and/or Rejecting Debit Orders

The credit institution generates a transaction to reject the debit order, indicating the reason for rejection.

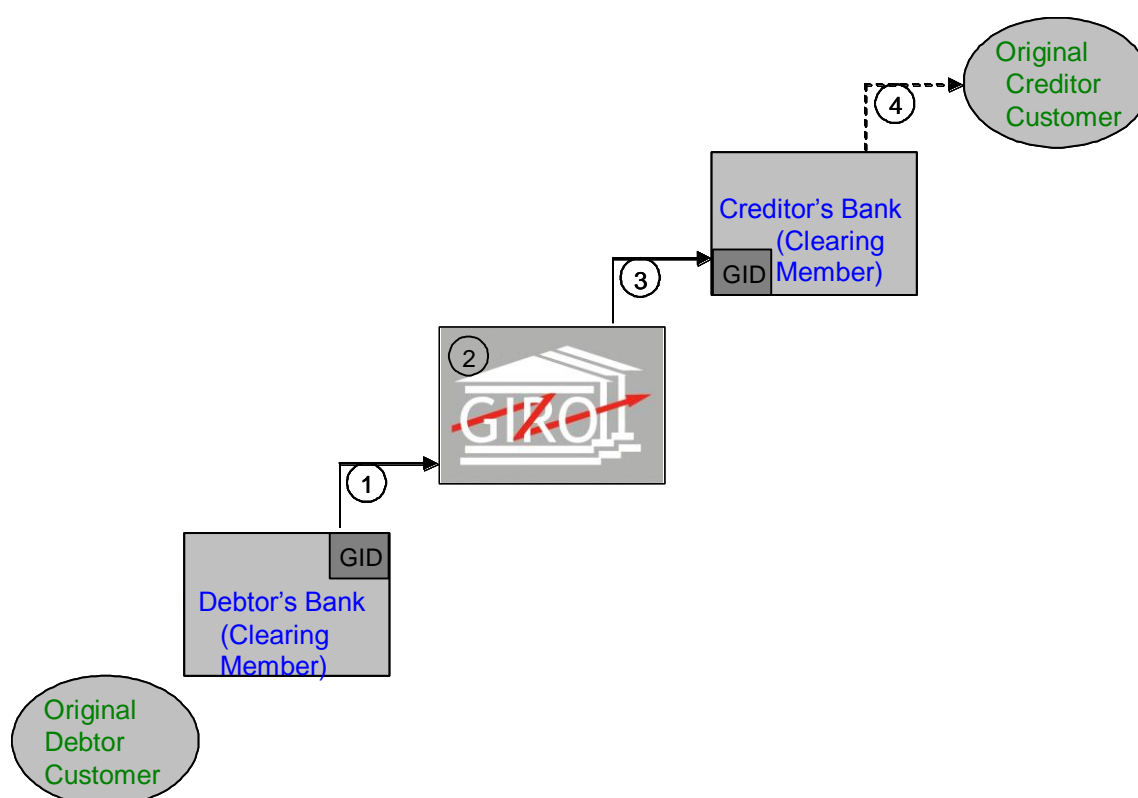
There is no clearing included in the process in which an advice is sent on queuing/rejecting the collection (the transaction does not carry funds). It is only possible to queue a prompt collection order if it has been initiated via the Interbank Clearing System.

If a term collection order cannot be fulfilled (e.g. the Debtor makes objection in respect of the total amount), the Hungarian State Treasury generates a transaction to reject the term collection order, indicating the reason for rejection.

The following flow chart shows collection orders rejected by the Clearing Member:

Queuing and/or Rejecting Collection Orders

Chart 9



The individual steps of the process are:

1. The advice on queuing or rejection is sent by Debtor's Bank [T-1 day].
2. The advice on queuing or rejection is forwarded.
3. The advice on queuing or rejection is received by Creditor's Bank [on T settlement day].
4. Creditor Customer is notified on the debit order being queued or rejected.

Note: GID indicates the bank's GIRO endpoint

Transactions (with their codes and subcodes) involved in the process are:

- Advice on queuing a collection initiated via the IG1 (692-00),
- Rejection of a collection based on Authorization Letter¹⁰ (292-00),
- Rejection of a term collection order (293-00).

¹⁰ Transaction codes 292-00 / 692-00 can also be used to inform the creditor bank on the rejection / queuing Credit Transfers initiated by authorities if the initiation was done using transaction code 092-00

3. Multiple Payment Orders

The following flow charts illustrate the process of multiple payment orders (multiple credit order, multiple debit order, multiple postal payment order), presenting the activities of each player, the timing of these activities, as well as the corresponding standard message flows.

The charts of the same type of orders depicting different processes are presented individually due to the difference between certain activities (e.g. it is Debtor's Bank that converts the items of the order into individual transactions or this conversion is effected by GIRO Zrt.).

Communication between the players linked to GIRO Zrt. takes place through standard messages described in the ICS IG1 Standards, Volume III.

All flow charts illustrate processes in which the credit institution is directly linked to the Interbank Clearing System, which means that these processes do not include an Indirect Participating Bank.

3.1. Multiple Credit Orders

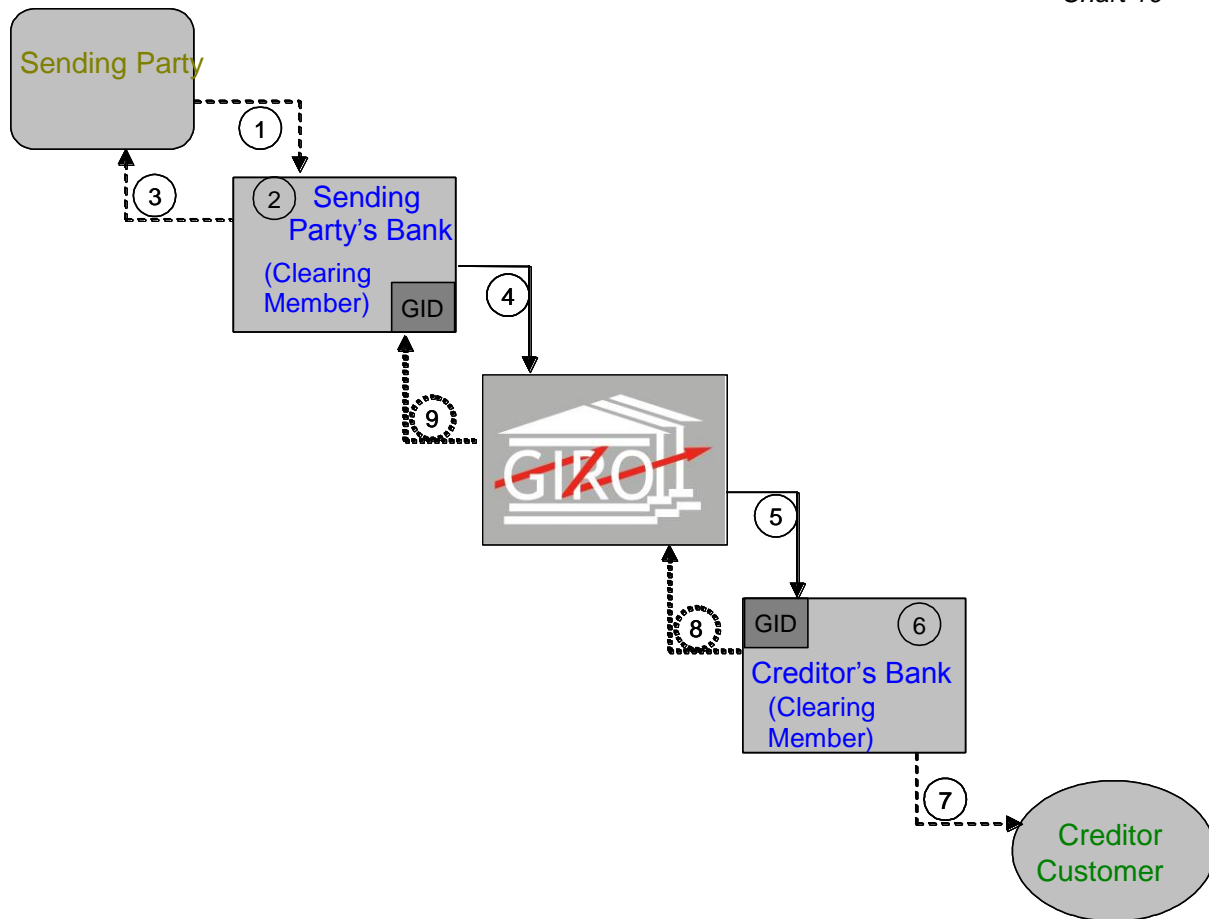
If the Debtor (Sending Party) and its Bank (the Sending Party's Bank) have not agreed otherwise, the multiple credit must be submitted as set out in ICS IG1 Standards, Volume III (MSZ 16283-1:2001 Hungarian Standard on the process and message standard of multiple crediting).

The first chart illustrates the process in which Clearing Member sends single transactions converted from multiple credit orders to the IG1 platform for processing.

During the process depicted in the next chart, i.e. during the direct submission of multiple payment orders, it is GIRO Zrt. that performs the conversion of multiple credit messages into single transactions.

Process of the Multiple Credits with Debtor's Bank Performing Format Conversion

Chart 10



The individual steps of the process are:

1. Sending Party submits the multiple credit order to its bank.
2. Sending Party's Bank performs balance checking, debits Sending Party's account and performs format conversion.
3. Sending Party is notified (account statement).
4. Sending Party's Bank sends the multiple credit transactions [on T-1 day].
5. The single transaction is cleared and forwarded towards Creditor's Bank [by T settlement day].
6. Creditor Customer's account is credited.
7. Creditor Customer is notified (account statement).
8. In case of rejection Creditor's Bank returns the multiple credit item.
9. The return of the multiple credit item is cleared and forwarded to Debtor's Bank.

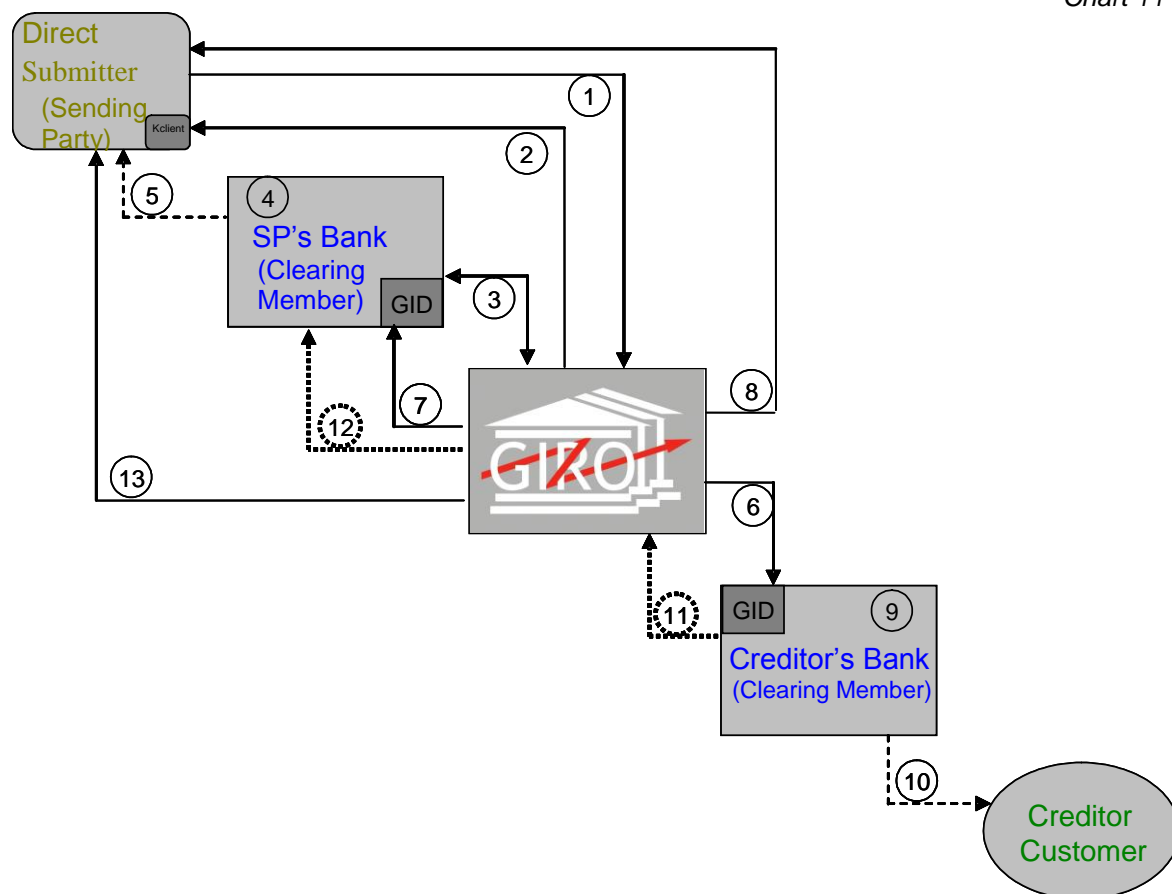
Note: GID indicates the bank's GIRO endpoint

Transactions (with their codes and subcodes) involved in the process are:

- Multiple credit transaction (007-01) – (steps 4 and 5)
- Rejection of a multiple credit transfer (207-01) – (steps 8 and 9).

Process of Multiple Credits with GIRO Zrt. Performing Format Conversion

Chart 11



The individual steps of the process are:

1. Direct Submitter submits the multiple credit message to GIRO Zrt. [on Tmax-10, ..., T-1 day]. The Electra system transfers the message on the debit date (D) given in the message to the GIRO Zrt.
2. GIRO Zrt. performs checking, format conversion and confirms receipt.
3. If no automatic clearing is permitted by Sending Party's Bank, GIRO Zrt. asks for balance checking / permission for clearing. The bank gives information about the permission or rejection or a possible deferral of the clearing ¹¹ [on T-1 day].
4. Sending Party's account is debited.
5. Sending Party is notified (account statement).
6. The converted (single) transaction is cleared and forwarded to Creditor's Bank [by T settlement day].
7. Sending Party's Bank is notified of the clearing results of multiple credit transfers with sufficient coverage in a summary report.
8. Direct Submitter is notified of the result of the multiple credit order permitted to be cleared [T day].
9. Creditor Customer's account is credited.
10. Creditor Customer is notified (account statement).
11. In case of rejection Creditor's Bank returns the multiple credit transfer.
12. The return of the multiple credit is cleared and forwarded towards Debtor's Bank.

¹¹ The deferral is not suggested after 1 January 2014!

13. GIRO Zrt. makes a daily multiple detailed statistical report on the day when rejections have been received. At the end of the response deadline GIRO Zrt. sends a final summary detailed statistical report on multiple orders.

Transactions (with their codes and subcodes) involved in the process are:

- CS-ATUTAL (CSÁT.121) – Multiple credit message (step 1),
- CS-STATUS (ST.122) – Confirmation of the checking of a multiple order (step 2),
- CS-FEDKER (FR.151) – Requesting information on balance checking from the bank (step 3),
- CS-FEDJEL (FJ.152) – Feedback on the result of balance checking (step 3),
- CS-FEDEL (FE.153) – Feedback on checking the information of the result of balance checking (step 3),
- Multiple credit transaction (007-01) (step 6),
- CS-FEDSUM (FM.154) – Summary of the clearing (clearing results) of multiple credit items with sufficient coverage (step 7),
- CS-FEDSTA (FS.123) – Result of processing (step 8),
- Rejection of multiple credit items (207-01) (steps 11 and 12),
- CS-DETSTA (DS.142) – daily and summary (final) multiple DETailed STATistical reports (step 13).

Note: GID indicates the bank's GIRO endpoint

The communication and handling of multiple credit messages is ensured by GIRODirect Service via Electra system for a Direct Submitter.

3.2. Multiple Debit Orders

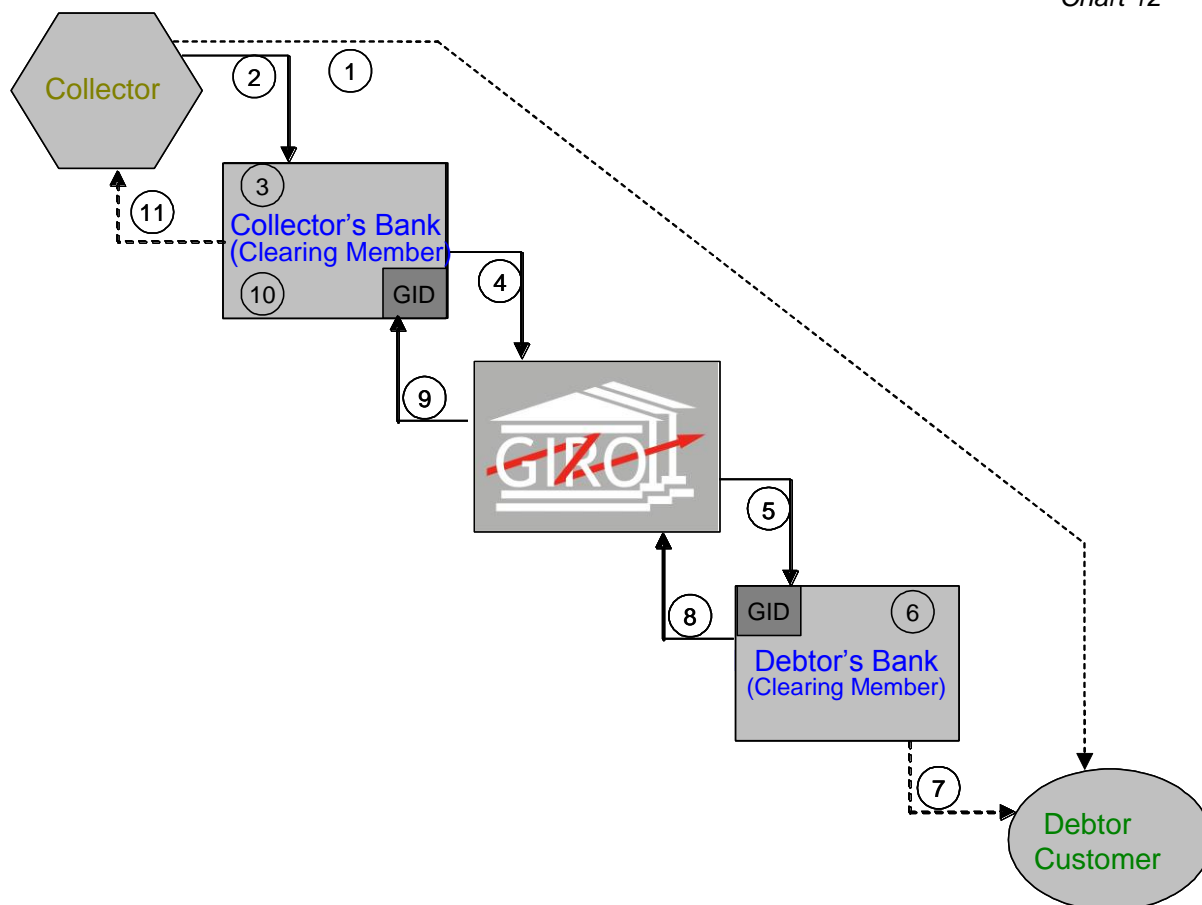
If the Collector and its bank have not agreed otherwise, the multiple debit must be submitted as set out in the ICS IG1 Standards, Volume III. (MSZ 16283-2:2001, Hungarian Standard on the process and message standard of multiple debiting.)

The following charts illustrate the process of multiple debiting. „D” indicates the debit day of the Debtor's account. In case of multiple debits the IG1 platform accepts transactions for not more than 8 working / settlement days' debit following the settlement day ($T \leq D \leq T+8$)

Two ways of processing are presented here for this payment method as well. The first chart shows the process when it is the Collector's Bank that performs the conversion of the multiple debit order into single transactions and in the second chart the Direct Submitter submits its multiple message to GIRO Zrt. and then the message is converted into single transactions by GIRO Zrt.

Process of Multiple Debits with Collector's Bank Performing Format Conversion

Chart 12



The individual steps of the process are:

1. The invoice is made out and sent.
2. Collector submits the multiple debit order to its bank.
3. Collector's Bank performs checking and format conversion.
4. Debit initiating (single) transactions are sent.
5. Initiation is forwarded to Debtor's Bank.
6. The item is stored by Debtor's Bank [until D day], Debtor Customer's account is debited [on D, ..., Dmax+4 day, queuing is allowed for 4 days].
7. Debtor Customer is notified (account statement).
8. Fulfilled and rejected debits are sent by Debtor's Bank [on D day].
9. Fulfilled debits are cleared and transactions are forwarded to Collector's Bank [on D+1, ..., Dmax+5 day].
10. Collector's account is credited.
11. Collector is notified (account statement).

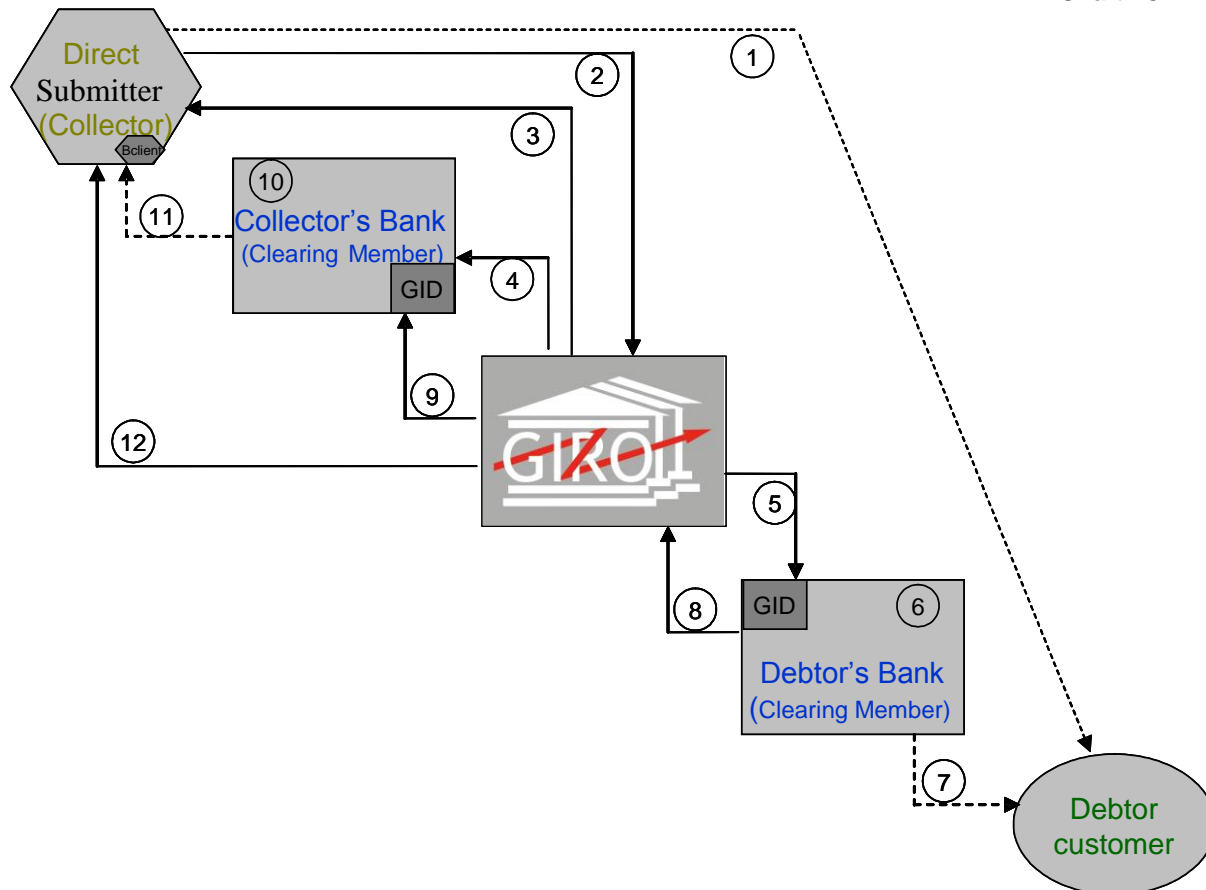
Note: GID indicates the bank's GIRO endpoint

Transactions (with their codes and subcodes) involved in the process are:

- Initiation of multiple debit orders (094-00) (steps 4 and 5),
- Rejection of multiple debit orders (294-00) (steps 8 and 9),
- Fulfilment of multiple debit orders (404-00) (steps 8 and 9).

Process of Multiple Debit Orders with GIRO Zrt. Performing Format Conversion

Chart 13



The individual steps of the process are:

1. The invoice is made out and sent [on D-6 day].
2. Direct Submitter submits - via the Electra system - the multiple debit order to GIRO Zrt.
3. GIRO Zrt. performs checking and format conversion, and confirms receipt.
4. GIRO Zrt. notifies Collector's Bank of the multiple debit messages submitted directly to GIRO Zrt. by an institution keeping an account with the bank.
5. A converted debit is initiated, the (single) transaction is forwarded to Debtor's Bank.
6. The item is stored by Debtor's Bank [until D day], Debtor Customer's account is debited [on D, ..., Dmax+4 day, queuing is allowed for 4 days].
7. Debtor Customer is notified (account statement).
8. Fulfilled and rejected debits are sent by Debtor's Bank [on D, ..., Dmax+4 day].
9. Fulfilled debits are cleared and transactions are forwarded to Collector's Bank [on D+1, ..., Dmax+5 day].
10. Collector's account is credited.
11. Collector is notified (account statement).
12. GIRO Zrt. makes a daily multiple detailed statistical report on the day when responses of fulfilment or rejection have been received. At the end of the response deadline GIRO Zrt. sends a final summary detailed statistical report on multiple orders.

Note: GID indicates the bank's GIRO endpoint

Messages and Transactions (with their codes and subcodes) involved in the process are:

- CS-BESZED (CSBESZ.121) – Multiple debit order (step 2),
- CS-STATUS (ST.122) – Confirmation of the checking of a multiple debit order (step 3),
- BESINF (BI.151) – Information on multiple debit messages (step 4)
- Initiation of multiple debiting (094-00) (step 5),
- Rejection of an initiation of multiple debiting 294-00 (step 8),
- Fulfilment of multiple debiting (404-00) (step 8),
- CS-DETSTA (DS.142) – daily and summary (final) multiple DETailed STATistical report (step 12).

3.3. Multiple Postal Payment Orders

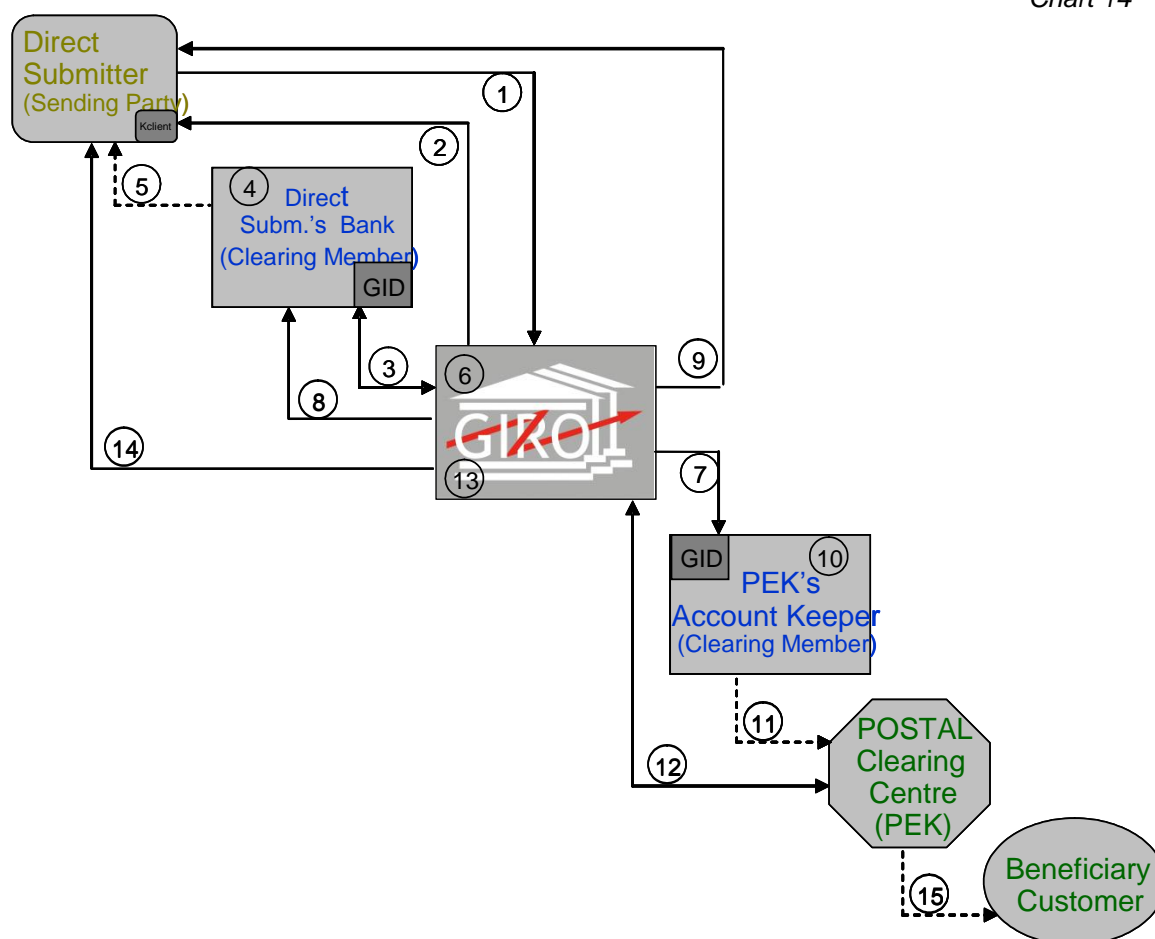
GIRO Zrt. receives multiple postal payment orders - via the Electra system - from a Direct Submitter (Sending Party) in compliance with the stipulations of the effective ICS Business Rules.

In case of this form of payment GIRO Zrt. executes fund transfer between the Debtor and the Postal Clearing Centre (PEK - Posta Elszámoló Központ). The Beneficiary Customer receives its claim in cash, which is forwarded by the Hungarian Post Office (Magyar Posta).

The process of receipt and processing is illustrated in the following chart.

Process of Postal Payment

Chart 14



The individual steps of the process are:

1. Direct Submitter submits the multiple (postal) payment message to GIRO Zrt. [on T_{max}-10, ..., T-1 day]. The Electra system transfers the message on the debit date (D) given in the message to the GIRO Zrt.
2. GIRO Zrt. performs checking, format conversion and confirms receipt.
3. If no automatic clearing is authorised by Sending Party's Bank, GIRO Zrt. asks for balance checking / authorisation of settlement. The bank gives information about the authorisation or rejection or a possible deferral of the settlement [on T-1 day].
4. Sending Party's account is debited.
5. Sending Party is notified (account statement).
6. The converted (single) transaction is cleared and forwarded to PEK's account-keeping bank [by T settlement day], postal orders are generated then forwarded to PEK.
7. PEK's account keeping bank receives the postal payment transaction [by T settlement day].
8. Sending Party's Bank is notified of the clearing results of multiple postal payments with sufficient coverage in a summary report.
9. Direct Submitter is notified about the clearing results of the MPO [T day].
10. The account of PEK is credited.
11. PEK is notified (account statement).
12. PEK receives the postal payment orders and sends back the order identifiers.
13. GIRO Zrt. receives and forwards the identifiers of postal orders.
14. GIRO Zrt. sends an item-per-item feedback on PEK processing, on the comprehensive processing of the multiple postal payment order.
15. Cash payment is effected for the Creditor Customer.

Messages and Transactions (with their codes and subcodes) involved in the process are:

- PK-ATUTAL (PK.131) – Multiple postal payment message (step 1),
- PK-STATUS (PS.132) – Confirmation of checking the multiple postal payment order (step 2),
- PK_FEDKER (FR.151) – Asking the bank for information on the balance (step 3),
- PK-FEDJEL (FJ.152) – Indicating the result of balance checking (step 3),
- PK-FEDEL (FE.153) – Feedback on checking the information of the result of balance checking (step 3),
- Coverage amount transfer transaction (001-81) (step 7),
- PK-FEDSUM (FM.154) – Summarising the clearing (clearing results) of multiple postal payment orders having sufficient coverage (step 8),
- PK-FEDSTA (PF.133)) – Result of processing (step 9),
- PK-DETSTA (PD.134) – Confirmation of the comprehensive processing of the multiple postal payment order (step 14).

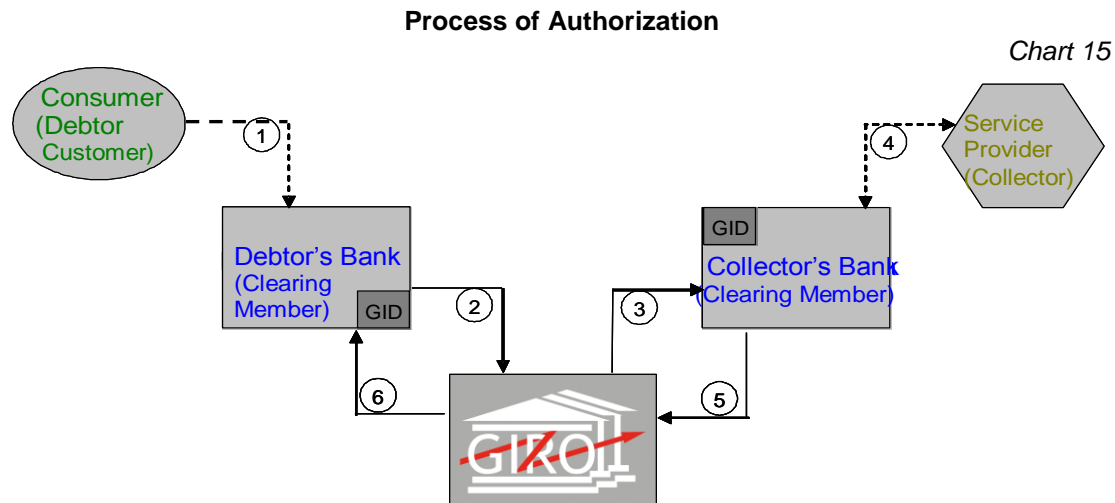
Note: GID indicates the bank's GIRO endpoint

Appendix 2

The Process of Authorization

If the Collector and its bank have not agreed otherwise, authorizations must be submitted complying with the standard described in the ICS IG1 Standards, Volume III. (MSZ 16283-3:2001, Hungarian Standard on the process and message standard of authorization. The Authorization Form to be filled in by the Debtor Customer constitutes an appendix to the standard.)

The flow chart below shows the electronic message flow of the Authorization Form initiated by the Debtor Customer, which is necessary for the execution of multiple debit orders, via the IG1 platform.



The individual steps of the process are:

1. Debtor Customer's Authorization reaches its bank (it is submitted directly to its bank or the Service Provider, which forwards the Authorization to Debtor's Bank).
2. Debtor's Bank sends the Authorization to IG1 (GIRO Zrt. confirms message receipt).
3. Authorization is forwarded to Service Provider's bank transmitting Authorizations.
4. Collector's Bank transmits authorization to Collector and receives its responses.
5. Service Provider confirms Authorization processing¹² or rejection via its bank (GIRO Zrt. confirms message receipt).
6. IG1 platform forwards confirmations to Debtor's Bank.

Standards included in the process:

- FELHBE (FBE.111) – Debtor's Bank sends authorization data to the IG1 platform (step 2).
- FELHAC (FAC.112) – The IG1 platform provides feedback on the result and formal checking of authorizations (step 2).
- FELHKI (FKI.113) – The IG1 platform forwards authorization data to the Service Provider via Service Provider's account-keeping bank (step 3).
- FELHAP (FHP.114) – Service Provider confirms authorization processing to the IG1 platform via its bank (step 5).
- FELHNA (FNA.115) – The IG1 platform provides feedback on the result of the receipt and formal checking of authorization confirmations (step 5).
- FELHOK (FOK.116) – The IG1 platform forwards authorization confirmations to Debtor's Bank (step 6).

¹² according to MNB decree It is not mandatory to confirm / acknowledge the acceptance of correct authorizations

Appendix 3**Additional, Optional Services Provided At the Clearing Member's Request**

In addition to the basic functions (reception of data to be processed, issuing results of processing / clearing), that GIRO Zrt. equally provides for all Clearing Members, it also offers additional services – which have partly been referred to earlier – at the Clearing Member's **written** request.

These additional services are listed below:

1. Producing DETSTA reports (DR.042)

The **aim of DR** is to provide daily and summary (final) DETailed STATistical reports of the responses given by partner banks to multiple payment initiating transactions included in homogeneous sending remittances.

The (**DETSTA**) report gives daily information on the response transactions that partner banks produce in reply to the multiple payment transactions sent by Clearing Members, and it provides summary data after the response deadline has expired.

The DETailed STATistical report is generated of the responses given to multiple payment transactions by banking sending remittances but only then and if the banking sending remittance contained either credit transactions (*of 007-01 code*) or debit transactions (*of 094-00 code*) converted exclusively from multiple message items (homogeneous sending remittance).

On special request by Clearing Members the IG1 platform sorts multiple payment transactions, separated from transactions containing single payment orders, into separate banking receiving remittances (homogeneous receiving remittance), and forwards them to the Addressed Banks.

The files containing clearing results are received and decompressed in the way described under section 3.1.7 of this volume of Standards.

2. Producing SUMFIOK (SF.091) reports

The **aim of SF** is to provide a bank organization level statement, a detailed list – in an easy-to-read text file, which is (also) suitable for manual (visual) processing – on the clearing member's (its direct and/or indirect branches and/or Indirect Participating Banks) items queuing at the end of the First Settlement Cycle and/or Extraordinary Sending Section (ESS) for sending and/or receiving, due to insufficient coverage / late sending.

The **external file name** of SUMFIOK indicates the file generation time.

- the name of the file generated at the end of the First Settlement Cycle is **SUMFIOK1**,
- the name of the file generated at the end of the ESP is **SUMFIOKX**.

A SUMFIOK**X** includes the **grand total** of turnover queuing at the end of the First Settlement Cycle **and** that of received by ESP, the statement of turnover to be cleared during the Second Settlement Cycle.

3. Generating Homogeneous RECEIVING REMITTANCES (RR.020)

The **aim of homogeneous RRs** is to enable the addressed Clearing Member to receive separate individual receiving remittances of the transactions related to single or multiple payment orders.

The first character of the **external file name** of the homogeneous RR refers to the type of transaction.

- **0** – the RR contains transactions related to single payment orders.
- **U** – the RR contains transactions related to multiple payment orders.

4. Establishing the maximum size – measured by transactions – of the Receiving Remittance

The aim of this service is to generate RRs in the size defined by the Clearing Member in order to facilitate processing by the Clearing Member's system.

Restrictions

- **the RR may contain maximum 999.999 items**
(due to the 6-character long item-counter as set out in the standards),

Basic / default setting

The maximum size of one RR is 99.990 transactions.

5. Automatic Clearing of directly submitted multiple credit items

The aim of this service is to relieve Direct Submitter's account keeping bank of processing balance checking messages and modifying the connecting banking system due to the exchange of balance checking messages.

GIRO Zrt. considers a request submitted by a Clearing Member to use this service as a permission given by the Clearing Member in advance to clear any multiple credit and /or postal payment order submitted by any Direct Submitter having an account with the Clearing Member.

The IG1 platform will **automatically**, without any exchanges of balance checking messages, clear the directly submitted multiple credit and / or postal payment orders up to the coverage available at the account keeping bank.

Restrictions

The permission for automatic clearing applies to **all** the multiple payment orders of **all** the Direct Submitters holding an account with the Clearing Member. It is not possible to restrict the pre-permission of clearing to only some Direct Submitters and / or certain multiple payment orders.

6. BKR STATistical Data Service (BKRSTAT)

The aim of this service is to make a statement on the bank's traffic / turnover in ICS (both on the IG1 and IG2 platforms) that can help the Clearing Members in their further internal processing, analyses.

GIRO Zrt. prepares the monthly statistics in the following format::

- **.pdf** file that can be printed, ,
- two separate **.xls** files that can be processed by programs, if requested.

Contents of BKRSTAT

- separate statements of total turnover on the IG1 and IG2 platform and by Clearing Members
- the Clearing Member's **monthly cleared traffic** / turnover by the direction of the traffic (sending and receiving), sorted by transaction codes and settlement days, separately indicating the summary of payment types (credit transfers, collections),
- monthly traffic/turnover of the whole ICS sorted by settlement days and payment types (credit transfers, collections),
- the **share** of Clearing Member's monthly cleared traffic in the monthly traffic/turnover of the whole ICS sorted by payment types,
- the monthly cleared turnover of Clearing Member and that of the whole ICS sorted by **amounts' intervals** and by the direction of the turnover
- number of transactions **rejected by ICS** sorted by error codes.

7. Occasional data service

The aim of this service is to satisfy the individual requirements of Clearing Members, for example yearly summary of traffic/turnover, Clearing Member's share in the yearly ICS traffic/turnover.