

# CANADIAN PAYMENTS ASSOCIATION

## LVTS RULE 2

### GENERAL

**LVTS Rule 2, December 1998:** as amended October 2000, March 2000, July 30, 2001, November 19, 2001, December 31, 2001, November 25, 2002, March 31, 2003, September 25, 2003, October 6, 2003, November 27, 2003, January 27, 2004, March 29, 2004, October 7, 2004, December 6, 2004, December 5, 2005, February 23, 2006, October 5, 2006, March 29, 2007, May 28, 2007, January 28, 2008, May 1, 2008, January 26, 2009, February 1, 2010, March 1, 2010, August 16, 2010, December 13, 2010, January 1, 2012, January 1, 2013, April 8, 2013, December 2, 2013, January 1, 2014, August 25, 2014, April 18, 2016, January 3, 2017, and August 21, 2017.

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**BUSINESS DAYS**      2.1      The LVTS shall be operational on each day other than a Saturday or Sunday, with the exception of the following statutory holidays:

- New Year's Day
- Good Friday
- Victoria Day
- Canada Day
- Labour Day
- Thanksgiving Day
- Remembrance Day
- Christmas Day
- Boxing Day

The Association shall each year publish a listing of the exact dates of the above-noted holidays for the ensuing year.

**LVTS CYCLE**      2.2      Each LVTS Cycle is composed of several distinct states. The time during the day for each of these states as represented below is subject to variances where circumstances, emergency or otherwise, dictate. The LVTS Working Group may request that the President establish revised times for the various LVTS Cycle states for specific days in any calendar year. Any revised time schedules shall be communicated by the Association to all Members at least 1 month in advance if reasonably feasible.

<u>State</u>	<u>Time of Day</u>	<u>Rule/Section #</u>
Initialization (Participants sending CLS related or bilaterally agreed upon non-CLS related Payments must be active by 00:30.)	23:00 - 00:30	Rule 4, Section 4.2 & 4.3

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<b>LVTS Cycle (cont'd)</b>	<b>State</b>	<b>Time of Day</b>	<b>Rule/Section #</b>
	All other Participants Sign on	07:00 - 08:00	
	Note: Bank of Canada will value all Participants' collateral prior to 00:30 hours.		
	Open for Payments Processing	00:30	Rule 4, Section 4.4 & 4.5
	Payment Message Exchange Period (MT 103/205)	00:30 - 18:00 <sup>1</sup>	Rule 6, Section 6.2
	Pre-Settlement (MT 205)	18:00 - 18:30	Rule 9, Section 9.1
	Settlement Started	18:30	Rule 9, Section 9.3
	Settlement Complete	before 19:30	Rule 9, Section 9.3
<b>SYSTEM WIDE PERCENTAGE</b>	2.3	The System Wide Percentage is set out in Appendix I to this Rule. The System Wide Percentage shall be established by the President in consultation with the Senior Operational Committee. Any revision to the System Wide Percentage shall be communicated by the Association to all Participants at least one week in advance, barring unforeseen emergencies.	
<b>LVTS JUMBO PAYMENT THRESHOLD</b>	2.4	The LVTS Jumbo Payment Threshold is set out in Appendix I. The LVTS Jumbo Payment Threshold shall be established by the President in consultation with the Senior Operational Committee. Any revision to the LVTS Jumbo Payment Threshold shall be communicated by the Association to all Participants at least one month in advance, barring unforeseen emergencies.	

<sup>1</sup> Only CLS-related or bilaterally agreed upon non-CLS related payments may be exchanged between 00:30 – 06:00 hours

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- PARTICIPANT PROFILE** 2.5 A Participant's Profile information shall include:
- (i) Participant's name in English and French;
  - (ii) Participant's default tranche (1 or 2);
  - (iii) Participant's Jumbo Payment Threshold (a Participant which enters "0" [*infinity*] will have no Jumbo Payments);
  - (iv) Requirement for a second user flag for Bilateral Credit Limit changes (yes/no).
- Changes to (i) and (iv) take effect immediately while changes to (ii) and (iii) take effect at the beginning of the next LVTS Cycle.
- LOCATION** 2.6 Subject to section 2.7, all Participant Workstations, Payments Processing Centres and Data Centres used by a Participant for the purposes of the LVTS shall be located within Canada at all times. A Participant shall, upon reasonable request by the Association, provide the Association with the location(s) of its operations used for the purposes of the LVTS.
- CROSS-BORDER** 2.7 Any Participant may locate any part of its primary and/or back-up operations in a country other than Canada if the Participant satisfies the requirements set out in Appendix II.
- RESPONSIBILITY FOR PAYMENT** 2.8 Each Participant is fully responsible for, and shall fully indemnify and save harmless each other Participant, for any losses or delays incurred by any other Participant, by reason of such first Participant's:
- a. delay or refusal to make the amount of a Payment Message available to the Payee in accordance with the terms of the LVTS By-law; or
  - b. refusal to return the amount of a Payment Message to the Sending Participant in accordance with the terms of the LVTS By-law.
- The application of, or purported compliance with, the laws of a foreign jurisdiction shall not serve to relieve a Participant from the obligations set out in this section.

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**CONTROL OF  
PAYMENTS**

2.9 For the purpose of determining which Participant is in control of a Payment Message the following test shall be applied. A Sending Participant shall be deemed to be in control of a Payment Message until the Payment Message has passed the Risk Control Test(s). A Receiving Participant shall be deemed to be in control of a Payment Message once the Payment Message has passed the Risk Control Test(s) evidenced by the existence of a Payment Confirmation Reference Number.

**PROBLEM  
RESOLUTION**

2.10 Where a problem occurs relating to the operation of the LVTS application or associated hardware the first point of contact shall be the LVTS Help Desk. The LVTS Help Desk contact information is set out in Appendix III.

**ACCESS TO  
INFORMATION**

2.11 A Participant is entitled to access:

- (i) current information concerning such Participant's own operations and current information relating to Payment Messages sent by and received by the Participant;
- (ii) historical data concerning such Participant's own operations and historical information relating to Payment Messages sent by and received by the Participant;
- (iii) information on general trends and statistics relating to the LVTS as a whole or relating to its specific payment information (but not specific payment information of another Participant) and information on "what if" studies or modelling studies; and
- (iv) information relating to the audit trail for any period to support both specific research and general audits subject to controls imposed by the Association to protect information confidential to other Participants.

*Note: With respect to historical data, the Association will only retain payment information for a period of seven years.*

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| <b>PARTICIPANT<br/>ACCESS</b>    | 2.12 | Access to current information referred to in subsection 2.11 (i) may be obtained directly by a Participant through a Participant Workstation by any authorized user of such Participant. Access by a Participant to the information referred to in subsections 2.11 (ii), 2.11 (iii) and 2.11 (iv) can only be obtained by submitting a request to the Association for the information in accordance with procedures to be developed by the Association for such purposes and subject to payment of such fee for the service as may be required by the Association. The Association shall publish a fee schedule and distribute such schedule to the Participants. |
| <b>BANK OF CANADA<br/>ACCESS</b> | 2.13 | In addition to the access to information the Bank of Canada has as a Participant, the Bank of Canada is entitled to access, for its own internal purposes, information on the Multilateral Net Positions, Tranche 1 Net Debit Cap and Tranche 2 Net Debit Cap of each Participant and on the Bilateral Credit Limits and positions of each Participant.  |
| <b>ASSOCIATION<br/>ACCESS</b>    | 2.14 | The Association is entitled to access summary information and transactional information and all statistical information for its internal use including Participant assistance, general reporting, and dues assessment purposes.  |

Board approval date: June 25, 2014  
 Implementation date: August 25, 2014

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**LVTS PARAMETERS**

<b>LVTS System Wide Percentage (SWP)</b>	<b>Effective Date</b>
30%	February 4, 1999 - March 16, 1999
28%	March 17, 1999 - April 20, 1999
27%	April 21, 1999 - May 18, 1999
26%	May 19, 1999 - June 15, 1999
25%	June 16, 1999 - July 20, 1999
25%	July 21, 1999 - December 14, 1999
30%	December 15, 1999 - January 25, 2000
25%	January 26, 2000 - March 15, 2000
24%	March 16, 2000
30%	May 1, 2008

<b>LVTS Queue Parameters</b>		<b>Effective Date</b>
<b>Queuing Option</b>	Jumbo Only	February 4, 1999
<b>Jumbo Payment Threshold</b>	\$100,000,000.00	January 26, 2000
<b>Jumbo Algorithm Frequency</b>	15 minutes (start at 1:00 am)	December 5, 2005
<b>Expiry Algorithm Frequency</b>	30 minutes (start at 1:05 am)	May 28, 2007
<b>Maximum Queue</b>	35 minutes	May 28, 2007



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### LVTS CROSS-BORDER CONNECTIONS

#### SCOPE

1. The Association's approach on foreign operations (located outside Canada) for part or all of a Participant's LVTS operations (Participant Workstation(s), CSN connection point(s) for the LVTS Direct Network (i.e. CSN routers/switches), Payment Processing Centre(s) or Data Centre(s)) is designed to achieve a balance between:
  - a. the prudential and operational concerns of the Association to ensure retention of full control over LVTS operations;
  - b. minimization of Operational Risks to payments handled by the LVTS;
  - c. ensuring that the Association's control over all aspects of the LVTS is not diminished or limited by the conduct of activity outside of Canada in a manner which is not acceptable to the Association; and
  - d. the operational efficiencies which may in certain circumstances be achieved through processing of payments outside of Canada.
2. This appendix is intended to set out the Association's position on the foreign location of a Participant's LVTS operations and their components. This appendix covers all cross-border processing regardless of whether a third party is involved and will guide the President and the Association and its Members in any decision to be made on cross-border installations.

#### APPLICATION FOR CROSS-BORDER CONNECTION

3. Any Participant (the "Applicant") may locate its primary and/or back-up Participant Workstation, CSN connection point(s) for the LVTS Direct Network (i.e. CSN routers/switches), Payments Processing Centre(s) or Data Centre(s) in a country other than Canada subject to:
  - a. the Applicant satisfying the requirements set out in sections 4 to 13 below; and
  - b. the approval of the President of the Association.

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### LVTS CROSS-BORDER CONNECTIONS

#### REQUIREMENTS

4. In support of the objectives set out in the Scope section (section 1) of this Appendix, the Applicant must establish a principal office within Canada and appoint a principal officer who is ordinarily resident in Canada, regardless of the location of any component outside of Canada. To ensure the following:
  - a. All approvals, monitoring of limits and authorizations must be made in Canada by an officer of the Applicant resident in Canada; and
  - b. All key elements of a prudent system of internal control must be performed in Canada by appropriate personnel resident in Canada.
5. An application to locate Data Centre(s), Participant Workstation(s), CSN connection point(s) for the LVTS Direct Network (i.e. CSN routers/switches), Payment Processing Centre(s) and associated contingency or back-up centre(s) outside of Canada must be made to the Association for approval by the President. The application must set out the location of the proposed operations, the manner in which the Applicant will ensure proper supervision of the operations and the manner in which the location of the operations may affect the LVTS and the other Participants. The Applicant shall provide to the President along with its application a diagram/schematic setting out the location of each of the relevant components which will be used to process payments outside of Canada.
6. The Applicant must ensure, and confirm in writing to the Association, that the Association will have access to the Applicant's operations on an ongoing basis for any system audit or operations review which the President, in his/her discretion, may wish to carry out.
7. The Applicant must obtain and file with its application a copy of the approval or confirmation of non-objection, or some such similar document, of its primary Canadian regulatory supervisor (e.g. OSFI).
8. The Applicant must provide evidence that it has obtained the approval of its appropriate internal authority and/or executive.
9. The Applicant must ensure, and confirm to the Association's satisfaction, that the laws of the jurisdiction where the processing will occur will not preclude the Applicant from doing anything with the information or data that is reasonably expected to do in Canada.

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### **LVTS CROSS-BORDER CONNECTIONS**

10. The Applicant must ensure, and confirm to the Association that the nature of the information or data to be maintained and processed outside Canada, and the actual maintenance and processing of the information or data outside of Canada, will not have a significant negative impact on the Applicant's business operations and services in Canada. This includes consideration of the adequacy of the back-up facilities to handle operations without a major disruption to services.
11. The Applicant must ensure, and confirm to the Association, that adequate arrangements or processes are in place to ensure a Payment Message will be processed outside of the foreign jurisdiction in the event of political instability or if such processing would be in violation of the laws or regulations of that jurisdiction. Ongoing monitoring, by the Applicant, of the foreign jurisdiction and any changes in the laws or regulations of the foreign jurisdiction which would prohibit or impede a Payment Message and the adoption of appropriate contingency plans in the event of political instability or changes in laws or regulations are essential.
12. The Applicant must undertake to review and monitor its operations on an ongoing basis and ensure that no undue risks are imposed on the LVTS or the other LVTS Participants and that its proposed infrastructure and risk control measures shall remain in place.
13. Any documentation that is submitted by an Applicant to the Association must be signed by a "duly authorized officer" of the Applicant.

### **DECISION OF THE PRESIDENT**

14. The President must be satisfied with the form and content of the application and all supporting documentation and information provided by the Applicant.
15. Where the President determines, in his/her discretion, that the criteria for approval of the application have not been sufficiently met, the President may refuse to approve the application.
16. Where the President decides not to approve an application, the President shall communicate that decision in writing to the Applicant including the reasons for non-approval of the application.
17. Where the President determines, in his/her discretion, that the Applicant has not fulfilled one/some of the obligations which were agreed to under the application for cross-border connection, the President may determine that the Applicant is in non-compliance and the approval of the application for cross-border connection may be revoked.
18. Where the President decides not to approve an application or to revoke an approval, an Applicant may appeal the decision to the Board.

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**LVTS CROSS-BORDER CONNECTIONS**

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19. If at any time after receiving approval for an application for cross-border connection, a Participant plans to relocate its Data Centre(s), Participant Workstation(s), CSN connection point(s) for the LVTS Direct Network (i.e. CSN routers/switches), or Payments Processing Centre(s), the Participant shall notify the Association of the change and if required by the Association, submit a new application for such relocation, which will be subject to the approval of the President.
20. Where the President is of the opinion, that circumstances warrant, he/she may choose to conduct an audit of the Applicant's facilities to ensure that no changes have occurred to the Applicant's operations at any point in time.
21. The Applicant shall bear any and all expenses incurred by the Association in evaluating the Application for cross-border connection, and notice of change or any follow-up audit or review, including any legal expenses, the expense of any independent third party auditor or other expert engaged to review the proposal or the operations of the Applicant.

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### LVTS HELP DESK CONTACT INFORMATION

#### Hours Available

Twenty-four (24) hours per day, seven (7) days per week

#### Telephone Number\*

1-800-263-8863

#### Fax Number

1-613-688-1123

\* The telephone number is automatically re-routed to the alternate Help Desk in the event of a problem at the primary Help Desk.