

# CANADIAN PAYMENTS ASSOCIATION

## LVTS RULE 3

### ACCESS TO LVTS

**LVTS Rule 3, December 1998:** as amended October 2000, March 2001, July 30, 2001, December 3, 2001, November 25, 2002, September 25, 2003, November 27, 2003, January 3, 2005, April 25, 2005, upon implementation of HABS (October 27, 2008), January 26, 2009, March 1, 2010, August 16, 2010, January 23, 2012, April 8, 2013, February 3, 2014, August 25, 2014, January 5, 2015, April 18, 2016, January 3, 2017, and August 21, 2017.



**PAYMENTS** **PAIEMENTS**  
**CANADA** **CANADA**

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### ACCESS TO LVTS

#### ADMISSION OF NEW PARTICIPANT

- 3.1 a. Subject to subsection (b), any member may, upon completion of the application procedures set out in this Rule, become a Participant. The President must be satisfied with the form and content of the application and all supporting documentation and information provided by the applicant.
- b. A member that is affiliated with (i.e., related through any type of control or ownership) an existing LVTS Participant shall not be permitted to become a Participant.

#### REQUIRED DOCUMENTATION

- 3.2 Each Member that wants to become a Participant shall submit to the Association a fully completed application for participation, in the form attached as Appendix I, and the following documentation for approval by the Association:
- a. confirmation from the Bank of Canada that the applicant holds an account at the Bank of Canada for the purpose of settlement of LVTS transactions and that the applicant has entered into the Appropriate agreements and provided the required documentation and registrations relating to the LVTS including, without limitation:
- Loan Facility Agreement
  - Account Agreement for Settlement Account
  - Security Agreement for LVTS Collateral
  - Legal opinion for Borrower's Counsel
  - Board Resolution from the Borrower
  - (optional) Account Agreement for Special Deposit Account;
- b. confirmation from SWIFT that:
- i. the applicant is a member of SWIFT and the Canadian National User Group for SWIFT;
  - ii. the applicant's SWIFT address(es) is/are designated as a Canadian address;
  - iii. the applicant has completed all qualification and certification tests required by SWIFT;
- c. confirmation from the applicant that it is not affiliated with an existing LVTS Participant;
- d. a description by the applicant of its back-up capability for its LVTS operations; and
- e. such other documentation as may be required by the Association, including an entry form for the LVTS Closed User Group (available directly from SWIFT).

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- SWIFT AUTHENTICATION** 3.3 Each Member that wants to become a Participant shall, prior to admission as a Participant, complete to the Association's satisfaction the exchange of the appropriate SWIFT authorization with each of the Participants and the Association.
- TRAINING AND TESTING** 3.4 Each Member that wants to become a Participant shall, prior to admission as a Participant, complete to the Association's satisfaction the following steps:
- a. completion of an LVTS training program designed by the Association for use of the LVTS which program may include a testing and training period for trial operations;
  - b. completion of certification testing established by the Association which may include:
    - i. testing of the applicant's ability to properly use its Participant Workstation(s)
    - ii. testing of the applicant's ability to manage its Multilateral Net Tranche 1 Position, Multilateral Net Tranche 2 Position and its Bilateral Credit Limits using the applicant's direct connection mechanism; and
    - iii. testing of the ability of the applicant to maintain an appropriate level of payment environment availability as determined by technical specifications for the LVTS as issued by the Association.
- TECHNICAL COMPETENCY PLEDGING** 3.5 Each Member that wants to become a Participant shall, prior to admission as a Participant, and at any time after admission upon reasonable request being made by the Association, provide evidence satisfactory to the Association that the applicant has the operational ability to Pledge Collateral to the Bank of Canada, including by using the CDSX directly, or indirectly through an agent, and has made satisfactory arrangements with the Bank of Canada with respect to access to HABS.

### ACCESS TO LVTS

#### TECHNICAL COMPETENCY SYSTEMS

- 3.6 Each applicant shall, prior to admission as a Participant and at any time after admission upon reasonable request being made by the Association, provide evidence satisfactory to the Association that the applicant meets the following minimum requirements:
- a. the applicant has at least three Participant Workstations, which are configured to access the LVTS Application via the CSN through internal networks at all times, with a minimum of two nodes on the CSN (i.e. two sets of CSN routers and switches), all of which are in compliance with the configuration and other requirements established by the Association as described in the LVTS Service Level Description and CSN Service Level Description;
  - b. the applicant has a SWIFT CBT which is capable of supporting the sending of messages with proper authentication for SWIFT's FIN Y-Copy format messages;
  - c. the applicant has sufficiently trained, qualified personnel available on-site at all times between responding to the "Hello" dialogue and the completion of settlement for each LVTS Cycle. Notwithstanding this requirement, should there be a delay in settlement beyond 30 minutes after settlement started, as set out in section 2.3, the Bank of Canada may, in consultation with the Association, advise those Participants, who are not directly involved in achieving settlement, that it would not be required to keep qualified staff available on-site, so long as they are accessible to the Bank of Canada. The applicant is required to ensure that up-to-date escalation procedures are in place at all times in the event of an emergency situation and its personnel are knowledgeable of those procedures;
  - d. the applicant has a form of communication which is available for communications with the Association and other Participants, for use by the operator when using the Participant's Workstation, at all times between responding to the "Hello" dialogue and the completion of settlement for each LVTS Cycle;
  - e. the applicant has established procedures to ensure that its payments processing capabilities shall be available at least 98% of the time every calendar month between 00:30 hours and the start of settlement for each LVTS Cycle; if the Participant is active from 00:30 hours, and otherwise between 08:00 hours and the start of settlement for each LVTS Cycle;

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**TECHNICAL  
COMPETENCY  
SYSTEMS (cont'd)**

- f. the applicant has established procedures to ensure that it has the ability to reconcile Payment Messages sent with acceptance or rejection notifications received, to identify any unmatched Payment Messages (*It is in the best interests of the Participants to perform this throughout the Payment Message Exchange Period to avoid not knowing about failed Payment Messages prior to Settlement and to ensure smooth completion of Pre-Settlement*);
- g. the applicant has established procedures to ensure that it has the ability to monitor its own Multilateral Net Tranche 1 Position, Multilateral Net Tranche 2 Position and its Bilateral Credit Limits and bilateral positions vis-à-vis each other Participant;
- h. the applicant has established a secure Participant Workstation environment and a secure payments environment; and
- i. the applicant has established procedures to ensure that its collateralization needs are met during initialization and until the completion of settlement for each LVTS Cycle.

**SERVICE LEVEL  
DESCRIPTION  
ATTESTATION**

3.7 Each Participant shall ensure that it remains in compliance with all requirements outlined in the LVTS Service Level Description and all the requirements from Sections 4 and 6 of the CSN Service Level Description at all times and shall provide to the CPA, by way of a management attestation statement (attached as Appendix II), confirmation of this compliance for each calendar year. The management attestation statement shall be provided to the CPA no later than January 31 of the following year.

Note: For a copy of the most recent version of the LVTS Service Level Description or CSN Service Level Description, please contact CPA Service Desk.

**ADMISSION FEE**

3.8 Upon receipt of a duly completed application the Association shall calculate the admission fee payable by such applicant in accordance with the fee schedule attached as Appendix III. The admission fee shall be composed of the administrative costs related to the admission of the applicant and may include a submission fee, a certification fee, an initial implementation and set-up fee and any such other fees as may be determined by the Board.

Any additional expenditure for travel, overtime and disbursements shall be invoiced directly to the applicant on a cost recovery basis.

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- TIMING OF PAYMENT** 3.9 The applicant shall pay to the Association the admission fee and any expense charges within 30 days of receipt of such invoice. The admission fee shall be non-refundable in the event the applicant withdraws its application or the applicant's application is refused for any reason, unless the Board determines otherwise.
- EVIDENCE OF COMPLIANCE** 3.10 a. Where the Association requests evidence to confirm the completion of any procedure or step by an applicant for participation in the LVTS such confirmation shall be by way of a current (completed within the previous eighteen (18) months) audit report, pertinent extract, or management attestation statement dealing with any such steps or procedures, filed with the Association by the Participant's internal audit group, inspection group or management representative executed by a duly authorized officer of the applicant.
- b. Where, after admission for participation in the LVTS, the Association requests evidence that a Participant continues to meet the criteria established in this Rule for the admission of a new Participant, such evidence shall be by way of audit report with controls set out by the Association. The audit report shall be filed with the Association by the Participant's internal audit group, inspection group or management representative executed by a duly authorized officer of the Participant.
- PARTICIPANT WITHDRAWAL** 3.11 a. Any Participant, with the exception of the Bank of Canada, may withdraw from participation in the LVTS by giving at least thirty (30) days advance notice to the President of its intention to withdraw. Such notice shall be in the form of notice attached as Appendix IV.
- b. In the event that two or more Participants become affiliated,
- (i) only one Participant may continue to Participate in the LVTS;
- (ii) the other Participant(s) must withdraw from participation within six months of the effective date of the affiliation. Notice of withdrawal must be provided to the CPA at least thirty (30) days prior to withdrawing from participation in the form of notice attached as Appendix IV; and
- (iii) during the six month transition period or any extension as provided for in subsection (c), the affiliated Participants shall not extend bilateral credit limits to one another.
- c. Further to subsection (b), where more than a six month transition period is required, the other Participant(s) may request an extension by filing a written request with the President at least thirty (30) days prior to the expiration of the six month transition period. The request shall specify the reason for the extension and length of time requested.

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<b>EFFECTIVE DATE</b>	3.12	The withdrawal of a Participant shall take effect at the end of the LVTS Cycle on the effective date of withdrawal specified in the notice given to the President.
<b>REMAINING OBLIGATIONS</b>	3.13	The withdrawal of a Participant shall not affect the Participant's obligations to pay any unpaid expenses charged to such Participant for services provided by the Association relating to LVTS and to complete such other documentation as may reasonably be required by the Association.
<b>FEES OR DUES PAID</b>	3.14	The withdrawal of a Participant shall not entitle such Participant to a return of any amounts paid by such Participant by way of an admission fee or annual dues relating to LVTS participation.
<b>COPY OF NOTICE</b>	3.15	The Association shall forward a copy of any notice of withdrawal received by the President to all other Participants.
<b>PARTICIPANT SUSPENSION</b>	3.16	Any Participant, except the Bank of Canada, that does not at all times maintain a settlement account at the Bank of Canada and comply with the terms of such agreements relating to the LVTS as may be required by the Bank of Canada from time to time shall, upon notice being given of that fact by the Bank of Canada to the President, have its Participant status suspended automatically.
<b>ADMISSION REQUIREMENT</b>	3.17	The President may at any time suspend any Participant's status as a Participant, if, in the President's opinion, the Participant fails to meet or continue to meet the criteria established in this Rule for the admission of a new Participant.
<b>SUSPENSION NOTICE</b>	3.18	The President shall, as soon as reasonably practicable, notify all Participants of the name of any Participant that has had its Participant status suspended.
<b>PARTICIPANT REVOCATION</b>	3.19	Any Participant, except the Bank of Canada, which: <ol style="list-style-type: none"><li>does not at all times maintain a settlement account at the Bank of Canada and comply with such agreements relating to the LVTS as may be required by the Bank of Canada from time to time;</li><li>fails to meet or continue to meet the criteria established in this Rule for admission of a new Participant; or</li><li>which has had its status as a Participant suspended by the President;</li></ol> may have its Participant status revoked by the Board.
<b>REVOCATION NOTICE</b>	3.20	The President shall, as soon as reasonably practicable, notify all Participants of the name of any Participant that has had its Participant status revoked.

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|---------------------------------|------|---|
| <b>REINSTATEMENT PROCEDURES</b> | 3.21 | <p>Any Member (former Participant) may apply to the Association for reinstatement as a Participant:</p> <ul style="list-style-type: none"><li>a. by submitting to the Association a notice of application for reinstatement in the form attached as Appendix V and any other documentation as may reasonably be required by the Association;</li><li>b. if such Participant has had its status revoked, by paying to the Association an admission fee calculated in accordance with the provisions of section 3.8 as if such Member were a new applicant; and</li><li>c. by permitting the completion of an external audit of the Member's (former Participant's) payments operations by such group or firm as may be specified by the Association, if requested by the Association. The cost of such external audit shall be borne by the Member (former Participant).</li></ul> |
| <b>PROBLEM CORRECTED</b>        | 3.22 | <p>If a Member applying for reinstatement has had its Participant status suspended or revoked, such Member must establish to the Association's satisfaction that the problem leading to the suspension or revocation has been corrected before its application for reinstatement will be considered.</p>  |
| <b>TECHNICAL COMPETENCY</b>     | 3.23 | <p>Any Member applying for reinstatement must provide evidence satisfactory to the Association of the applicant's technical competency as described in sections 3.6 and 3.7 and, if requested by the Association, complete the testing and training procedures in place for new applicants as described in section 3.5.</p>   |
| <b>DECISION TO REINSTATE</b>    | 3.24 | <p>Any decision to reinstate a suspended Member may be made by the President. Any decision to reinstate a Member which has had its status revoked must be made by the Board.</p>  |
| <b>REINSTATEMENT NOTICE</b>     | 3.25 | <p>Upon the decision being made by the President or the Board, as the case may be, to reinstate a Member, the Association shall forward a notice of reinstatement to the Member applying and all other Participants at least 10 Business Days in advance of the effective date of reinstatement. The effective date of reinstatement shall be determined by the Association in consultation with the applicant.</p>   |

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**APPLICATION FOR PARTICIPATION IN LVTS**

1. Name of institution: \_\_\_\_\_
  
2. CPA membership number: \_\_\_\_\_
  
3. CDSX CUID (customer unit identifier): \_\_\_\_\_
  
4. Principal address for correspondence relating to LVTS application:  
\_\_\_\_\_  
\_\_\_\_\_  
Tel: \_\_\_\_\_ Fax: \_\_\_\_\_  
E-Mail: \_\_\_\_\_
  
5. Principal contact person for LVTS application related matters:  
\_\_\_\_\_
  
6. Estimate of initial annual LVTS payment items volume:  
\_\_\_\_\_
  
7. Date Member would like to commence participation in LVTS:  
\_\_\_\_\_
  
8. Duly Authorized Signature of Member's representative:  
Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Please return to the CPA (c/o COO)

**APPENDIX I - PRO FORMA MANAGEMENT ATTESTATION STATEMENT**

*[LVTS Participant letterhead or LVTS Participant Name]*

**CANADIAN PAYMENTS ASSOCIATION  
LVTS PARTICIPANT ANNUAL MANAGEMENT ATTESTATION STATEMENT**

[DATE OF LETTER]

Canadian Payments Association  
Constitution Square, Tower II, 350 Albert, Suite 800  
Ottawa, Ontario  
K1R 1A4

Attention: COO

In accordance with section 3.8<sup>1</sup> of the Canadian Payments Association's Large Value Transfer System Rules, [LVTS Participant] hereby confirms that during the period January 1, 20[YY] through December 31, 20 [YY], [LVTS Participant] was in compliance with all requirements outlined in the LVTS Service Level Description and all requirements outlined in sections 4 and 6 of the CSN Service Level Description.

Yours truly,

(Name of Senior Officer representing the LVTS Participant or the Senior Operational Committee representative)

(Title of Officer)

*\* [ ] denotes customized information to be provided by LVTS Participant*

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<sup>1</sup> Each Participant shall ensure that it is, and has been in compliance with all requirements outlined in the LVTS Service Level Description and all the requirements from Section 4 and 6 of the CSN Service Level Description for the calendar year. Each Participant shall provide to the CPA, by way of a management attestation statement (attached as Appendix II), confirmation of this compliance. The management attestation statement shall be received by the CPA no later than January 31 of the following year.

Board approval date: February 24, 2005  
Implementation date: April 25, 2005

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### LVTS ADMISSION FEE SCHEDULE

Admission Fee	\$60,000
The Admission Fee is comprised of two components:	
Submission Fee <sup>2</sup>	\$5,000
Certification Fee <sup>3</sup>	\$55,000

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<sup>2</sup> The submission fee covers the costs associated with the time and effort required by CPA staff to review and process the application and ensures that the applicant has all the proper documentation in place for the purposes of SWIFT and the Bank of Canada.

<sup>3</sup> The certification fee includes the costs associated with the time and effort required by CPA staff to verify that the applicant has the appropriate technical/systems capabilities to participate in LVTS. This fee also covers the cost of CPA resources to assist in any testing required which involves the CPA, in order to certify the applicant's systems (testing requirements are outlined in Rule 11).

**ACCESS TO LVTS  
NOTICE OF WITHDRAWAL  
FROM LVTS**

TO: Canadian Payments Association

FROM: \_\_\_\_\_  
Financial Institution

Notice of withdrawal: \_\_\_\_\_

Effective date (requested): \_\_\_\_\_

Reason for withdrawal: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Future Agent for LVTS Purposes: \_\_\_\_\_

\_\_\_\_\_  
Date Authorized Representative

Please return to the CPA (c/o COO)

Revised: August 21, 2017

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**ACCESS TO LVTS**

**NOTICE OF APPLICATION FOR REINSTATEMENT  
AS AN LVTS PARTICIPANT**

TO: Canadian Payments Association

FROM: \_\_\_\_\_  
Financial Institution

Notice of application for reinstatement: \_\_\_\_\_

Effective date: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Representative

Please return to the CPA (c/o COO)