

CANADIAN PAYMENTS ASSOCIATION

LVTS RULE 14

CLAIMS AND COMPENSATION

LVTS Rule 14, December 1998: as amended October 2000, March 2001, November 19, 2001, November 25, 2002, March 31, 2003, September 25, 2003, November 24, 2003, February 1, 2010, November 21, 2016, August 21, 2017 and November 23, 2020.

CLAIMS AND COMPENSATION

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CLAIMS AND COMPENSATION

- PURPOSE** 14.1 The purpose of this Rule is to govern the settlement of claims and adjustments relating to LVTS transactions between Participants. The Participants involved will settle such claims using the “use of funds” concept or the “back valuation” concept (where there is agreement) so that no Participant shall be unjustly enriched or unduly harmed regardless of who (Participant or customer) caused the error.
- All claims between Participants, regardless of who caused the error, are subject to the rates and fees under this Rule. Any resolution of a claim between a Participant and its customer is a proprietary matter, to be dealt with by that Participant and the customer.
- INTEREST RATE** 14.2 The interest rate that will be used to determine compensation amounts between Participants shall be the Bank Rate for back valuation, the lower limit of the Operating Band for use of funds, or the difference between the Target Rate and the lower limit of the Operating Band for late payments. The rate will be averaged over the claim period and the conversion of the rate to a daily rate shall be based on 365 days (including leap years). If there is a discrepancy with the interest rate calculation and that discrepancy is \$10.00 or less, the requested amount should be accepted and paid without further negotiation.
- MINIMUM** 14.3 No claim shall be made where the amount claimed minus the Administration Cost Reimbursement is less than three hundred dollars (\$300.00).
- Examples:
- FI A submits a claim for use of funds from FI B for \$750. Once the ACR of \$300 is deducted the claim is equal to \$450. Since this amount is greater than the \$300 minimum it is a valid claim.
- FI A submits a claim for use of funds from FI B for \$600. Once the ACR of \$300 is deducted the claim is equal to \$300. Since this amount is equal to the \$300 minimum it is a valid claim.
- FI A submits a claim for use of funds FI B for \$550. Once the ACR of \$300 is deducted the claim is equal to \$250. Since this amount is less than the \$300 minimum it is an invalid claim.
- PERIOD** 14.4 The period over which interest will be payable shall be equal to the number of days for which the availability of funds has been lost. This shall be deemed to be that period starting with the day when the error was made and ending with, but including the day prior to when the error was corrected, up to a maximum of 90 days.

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ADMINISTRATIVE COST REIMBURSEMENT 14.5 An administrative cost reimbursement (ACR) of three hundred dollars (\$300.00) per transaction shall be collected, by the Participant incurring the extra work, from the Participant causing the error only when a claim for compensation is made. If a separate investigation is subsequently launched on a transaction which was previously investigated, the administrative cost reimbursement of three hundred dollars (\$300.00) will again apply.

The ACR should not be collected for any amendments that are made to a payment message by the receiving Participant, regardless of whether the sending Participant requested the amendment.

SUBMISSION OF CLAIM 14.6 Upon discovery or notification of an error, the Participant to which interest is owed will notify the Participant from which interest is due through an authenticated message (primary method would be via SWIFT) specifying the following information:

- a. date, amount, and Payment Confirmation Reference Number (PCRN);
- b. name of Payee; and
- c. the number of days, the amount and the rate of interest applicable.

Any disagreement shall be resolved by the Sending and Receiving Participant.

NOTICE 14.7 Notice of claims must be received within ninety (90) days after the LVTS settlement date of the payment. Claims received after this period will be a matter for negotiation between the Sending and Receiving Participant.

SETTLEMENT OF CLAIM 14.8 The settlement of an interest claim shall:

- a. upon receipt of the claim, be finalized within fifteen (15) Business Days; and
- b. payment of any amount owed shall be sent by MT205 with payment details provided in field :72:.

CLAIMS AND COMPENSATION**BACK
VALUATION**

- 14.9 An LVTS Participant which sent a Payment Message may, subject to the payment of compensation, request that the Receiving Participant back value the amount of the Payment Message to the Payee's account. The Receiving Participant may back value the amount of the Payment Message to the date requested unless:
- the Payee requests the Receiving Participant not to back value the payment;
 - the Payee's account has been closed; or
 - the request is not made within 90 days of the original value date of payment

Any back value request made is subject to agreement between the Sending Participant and Receiving Participant. The compensation due for any back valuation shall be calculated as follows:

$$\frac{(\$ \text{of payment})(\text{Bank Rate})(\# \text{of days back valued})}{365 \text{ days}} + (300 \text{ ACR})$$

**RETURN OF
PAYMENT
AT REQUEST
OF SENDING
PARTICIPANT**

- 14.10 If a Sending Participant requests that a Receiving Participant return the amount of a Payment Message because of an error in the Payment Message made by the Sending Participant (such as a duplicate message, misdirected payments, incorrect amount, etc.), the Receiving Participant may, in accordance with and subject to the provisions of the LVTS By-law and Rule 10, return the amount of the Payment Message to the Sending Participant.

**RETURN
PAYMENT
FEE**

- 14.11 Any payment (MT 103 or MT 205) in the amount of \$100.00 or more that is returned by the Receiving Participant is subject to a \$25.00 administrative fee regardless if the payment is returned the same day or a future Business Day. The administration fee is in addition to any compensation to which the Receiving Participant may be entitled to under section 14.13.

USE OF FUNDS

- 14.12 If a Receiving Participant returns the amount of the Payment Message on any Business Day other than the day of receipt of original Payment Message, the Sending Participant may request compensation from the Receiving Participant as set out below:

$$\frac{(\$ \text{ of payment})(\text{lower limit of Operating Band})(\# \text{ of days})}{365} - (\$300 \text{ ACR})$$

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OTHER

- 14.13 Pursuant to LVTS Rule 9.1, a Participant that sends a payment during Pre-Settlement that has not been specifically agreed to by the Receiving Participant must pay the Receiving Participant an administrative cost reimbursement of three hundred dollars (\$300.00) plus interest at the request of the Receiving Participant.

The compensation shall be calculated as follows:

$$\frac{(\$ \text{ of payment})(\text{Target Rate} - \text{lower limit of Operating Band})(\# \text{ of days})}{365} + \$300 \text{ ACR}$$