

BEST PRACTICE FOR THE UNIFORM TREATMENT OF WIRE PAYMENTS

Through this best practice statement, Payments Canada encourages member financial institutions that are not Lynx participants to voluntarily adopt the practices outlined below. The best practice statement is consistent with Payments Canada rule requirements applicable to Lynx participants regarding the making of Lynx payment amounts available to payees.

On-us Wire Payments

Inter-financial institution wire payments in Canada are generally processed through Payments Canada's electronic real-time gross settlement system for wire transfers, Lynx. Lynx is supported by a legal framework which enables the sending of real-time irrevocable payments across Canada. However, the benefits of the legal framework applicable to Lynx payments do not apply to all wire payments. Specifically, payments between customers of the same financial institution (known as on-us payments), are not transferred using Lynx. A customer making or receiving the payment may not realize that it is not a wire payment made through Lynx and not subject to the same rules that apply to Lynx payments. As a result, there is some uncertainty about practices, which has been the subject of considerable discussion and debate among users of the Canadian payments system.

Best Practice for the Uniform Treatment of Wire Payments

To provide clarity around the treatment of on-us wire payments¹ and address customer expectations, endorsing financial institutions voluntarily agree to treat on-us wire payments in a similar manner to Lynx payments. Specifically, the assurances outlined in the *Canadian Payments Association By-law No. 9 - Lynx and Lynx Rule: 10 Finality and Return* regarding timing, finality, exceptions, and errors (subject to anti-money laundering and fraud policies) will be similarly applied by endorsing financial institutions to on-us wire payments. In this regard, similar to Lynx payments, endorsing financial institutions will treat on-us wire transactions as having the following characteristics:

- 1) Payment irrevocability and finality (once funds have been posted to the payee's account);
- 2) Same day credit (on value date indicated and in accordance with the endorsing financial institution's daily cut-off schedules); and
- 3) Notice to the payee by its financial institution about funds availability (this could be accomplished by posting to the payee's account).

In addition, endorsing financial institutions will work towards including provisions in their client agreements – where these are created following endorsement of this best practice – confirming the institution's

¹ An "On-us wire payment" is a payment that, had it been a Lynx payment between two financial institutions, would normally be processed through the originating financial institution's wire processing system. This term is not intended to include payments that would have normally been cleared through Payments Canada's Automated Clearing Settlement System, e.g. cheques, electronic data interchange, and other electronic funds transfers.

assurance to treat on-us wire payments in the same manner as Lynx payments, for the elements outlined above. For clarity, in accordance with the Lynx by-law, on-us wire payments are not to be referred to as actual Lynx payments, regardless of the similar treatment of on-us wires.

Scope of Best Practice:

This best practice applies to all domestic, Canadian dollar business and consumer on-us wire payments.

Endorsing Financial Institutions:

Bank of Montreal

Bank of Nova Scotia

Royal Bank of Canada

Toronto Dominion Bank

Canadian Western Bank

JPMorgan Chase Bank, N.A.

UNI Financial Cooperation

Canadian Imperial Bank of Commerce

Laurentian Bank Of Canada