PAYMENTS CANADA

PRD-003

PROCEDURES FOR CLAIMS AND COMPENSATION FOR U.S. DOLLAR AND FOREIGN CURRENCY TRANSFERS WITHIN CANADA

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INTRODUCTION

1. The purpose of this document is to govern the settlement of interest claims and compensation relating to foreign currency transactions (including US dollar transactions) between Members within Canada, their foreign branches, affiliates and/or subsidiaries.

   Interest claims arising from this procedural reference document shall be subject to the rules and regulations of the country of the currency in question.

   It is expected that the Members involved will settle such claims so that no Member shall be unjustly enriched or unduly harmed as a result of another Member's request.

   The procedures do not apply to settlements between a Member and a correspondent bank or customer. They do apply to Members' foreign branches, affiliates and/or subsidiaries, in which case the Member in Canada will act on behalf thereof.

   If the foreign currency transfer is converted to Canadian dollars and subsequently is subject to an interest claim, the Lynx Rules will apply.

   Notwithstanding the above, the terms of any agreements between Members related to the operation of accounts for the maintenance of primary reserves and for clearing and settlement purposes will continue to apply.

INTEREST CALCULATIONS

2. a. Period

   The period over which interest will be payable shall be equal to the number of calendar days for which the availability of the funds has been lost to one Member and gained by the other Member. 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 60 days.

   b. Minimum Amount of Claim

   No claim shall be made where the amount claimed is less than one hundred dollars (CAD100 or USD100 for USD claims) net of any administrative fee.

   c. Administrative Fee

   An administrative fee of CAD300 per transaction for foreign currency claims will be collected by the Member incurring the extra work. An administrative fee of USD200 per transaction for USD claims will be collected by the Member incurring the extra work with the exception of an overpayment or a cancellation of payment, where an administrative fee of USD 750 per transaction will apply.

   d. Rate for U.S. Dollar Claims

      i. The interest rate is based on the average Federal Funds rate, as published on a daily basis by the Federal Reserve Bank of New York, for the interest claim period.

ii. The conversion of the rate to a daily rate shall be based on 360 days.

$$\frac{\text{(US\$ amt. of payment) X (avg. Fed Funds rate) X (claim period)}}{\text{360 days}}$$

e. Rate for Foreign Currency Claims

The interest rate used shall be the appropriate rate of the country of currency, and the interest calculation shall be subject to any rules or regulations of the country of the currency and any existing agreements with the financial institutions involved.

SUBMISSION OF CLAIM

3. a. Upon discovery or notification of an error, the Member to which interest accrues will notify the Member from which interest is due specifying the following information:

i. value date, amount, and transaction reference number (TRN);
ii. name of the beneficiary;
iii. the number of days, the amount and the rate of interest applicable; and
iv. investigation reference number ("Instruction Identification" element).

b. Notice of claims must be received within sixty (60) days after the correction has been effected. Claims received after this period will be a matter for negotiation between the sending and receiving Members.

SETTLEMENT OF CLAIM

4. The settlement of claims shall:

a. upon receipt of the claim, endeavour to be finalized within ten (10) business days; and

b. be sent by pacs.009 core (using CBPR+ specifications) depending on the currency of funds. For USD claims, it must be sent by pacs.009 core (using CBPR+ specifications) to the receiver's U.S. correspondent, paid in U.S. dollars to the other Member's account, and be accompanied by an authenticated narrative message.

BACK VALUATION

5. Subject to the condition below, back valuation will be applied upon receipt of the interest and administrative fee.

a. Acceptance of back valuation to the beneficiary's account is optional at the beneficiary's discretion. Non-acceptance of back valuation will be settled between the beneficiary and the sending Member.

b. For USD funds, back-valuation shall be calculated as:

$$\frac{\text{(US\$ amt. of payment) X (Avg. Fed Funds rate) X (\# of days back valued)}}{\text{360 days}}$$

c. For foreign currency claims, back-valuation shall be calculated using the appropriate calculation of the country of currency, and it shall be subject to any rules or regulations of the country of the currency and any existing agreements with the financial institutions involved.

USAGE OF FUNDS

6. Where payment is effected prior to value date, or, there is an overpayment on value date, or, there is a cancellation of payment, the interest claim will be a matter for negotiation between the sending Member and the receiving Member.

   If the funds had not been drawn down by the beneficiary and the receiving Member had use of the funds, an interest claim may be made by the sending Member. The applicable administrative fee will apply.

   If the payment was drawn down or partially drawn down by the beneficiary, adjustment of interest will normally be a matter for negotiation between the sending Member and the beneficiary. Notwithstanding this, if the sending Member agrees, the receiving Member may conduct negotiations with the beneficiary on behalf of the sending Member.

   If a mis-sent payment is retained by the receiving Member for more than 60 days, the sending Member may approach the receiving Member for usage of funds for the most recent 60-day period. For USD claims, the average Federal Funds rate means the average Federal Funds rate in effect during the most recent 60-day time period.

   For USD claims, interest owing will be calculated as follows:

$$\frac{\text{(US\$ amt. of payment) X (avg. Fed Funds rate) X (\# of days forward valued OR claim period)}}{\text{360 days}}$$

UNDERPAYMENT

7. As the additional payment will be made by means of a pacs.008 or pacs.009 core (both using CBPR+ specifications), the interest claim shall be settled in accordance with section 5, Back-Valuation.

CLAIMS FOR NON-RECEIPT OF COVER

8.

a. For foreign currency transfers, interest claims arising from nonreceipt of cover shall be subject to the rules and regulations of the country of the currency and existing agreements with correspondent financial institutions. Should the Canadian receiving Member not require a back-valuation to their account, the cost for the back-valuation as charged by the correspondent, will be paid to the receiving Member. An administrative fee of CAD 300 will apply.

b. For USD transfers, interest claims arising out of nonreceipt of cover shall be calculated in accordance with the United States Council on International Banking (USCIB) Compensation Rules, subject to a USD 200 administrative fee plus interest payable to the receiving Member.

   Negotiations and adjustments shall occur directly between Members without involvement from a U.S. correspondent bank. Where back valuation is necessary, at the request of the Member, Canadian rules and procedures will not apply and all interest and penalty fees applied to the Canadian sending Member must be refunded by the Canadian receiving Member which requested the back valuation. Under USCIB rules, interest and penalty fees accruing for back valuations are not payable to Canadian Members but payable to the USCIB member providing back valuation.