

CANADIAN PAYMENTS ASSOCIATION
ASSOCIATION CANADIENNE DES PAIEMENTS

Procedural Reference Document PRD-010

PROCEDURES FOR
LIQUIDITY EXCHANGE TRANSACTION (LET)

Business Strategy and Operations Division
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INTRODUCTION

1. In an attempt to correct intra-day payment flow dislocation between the Canadian Depository for Securities's CDSX and/or Continuous Linked Settlement Bank (CLSB) and the Large Value Transfer System (LVTS), the Cash Management User Group (CMUG) has developed a new Liquidity Exchange Transaction (LET) that will facilitate the exchange of LVTS Tranche 2 (T2) funds for LVTS Tranche 1 (T1) funds.

[Note: This is intended to be a solution to deal with unanticipated demand for LVTS T1 liquidity.]

**LIQUIDITY
EXCHANGE
TRANSACTION**

2. The LET is an intra-day exchange of funds transaction, whose purpose is to deal with unexpected demand for LVTS T1 funds to settle CLSB, CDSX and related payments to the Bank of Canada.

The LET involves an LVTS Participant sending LVTS T2 funds to another LVTS Participant in exchange for LVTS T1 funds on the same Business Day.

PARTICIPANTS

3. Each LVTS Participant wishing to complete a LET is responsible for finding another LVTS Participant with which to complete the desired exchange of LVTS funds. Each LET will involve only two LVTS Participants. Each Participant is responsible for ensuring that the transaction amount is within their institutions' LET guidelines.

**TRANSACTION
TIMEFRAME**

4. LETs will take place during the Open for Payment Processing Cycle State only.

TAPED LINE

5. Since the conversation establishing the terms of the LET will constitute the contract under which the LET is performed, it is strongly recommended that all discussions regarding terms of any LET be over taped lines.

**MT205 –
TRANCHE 2**

6. Once an LVTS Participant has found a counterparty to perform a LET (the Participant who requires the T1 funds initiates the exchange), the Participant will send an MT 205 via LVTS Tranche 2, with field 21 completed confirming that the payment is a LET and reflecting the terms thereof to the receiving Participant (an example of a S.W.I.F.T MT 205 Tranche 2 LET payment is attached as Exhibit I, and standard account instructions for payments are attached as Exhibit II). Failure to send a MT 205 will constitute a default in performance under the LET, and the counterparty would have the option not to send a MT 205 Tranche 1 LET payment.

**MT205 –
TRANCHE 1**

Upon receipt of the Payment Message (MT 205), the Receiving LVTS Participant shall send a MT 205 via Tranche 1 to the Sending LVTS Participant.

**LET
CONFIRMATION**

7. LVTS Participants may choose to rely on “post confirmation of the exchange” where time constraints warrant such an approach.

EXHIBIT 1**EXAMPLE OF LET MT 205 – TRANCHE 2 PAYMENT**

Example – MT 205 Financial Institution Transfer for Liquidity exchange Transaction

Status	Tag	Field Name	Example
User Header	103:108	103 Service Code (CAD) 108 Tranche Designation (1 or 2)	ROYCCAT2 205CIBCCATT 103:CAD 108:2
M	20	Transaction Reference Number	(sender's reference)
M	21	Related Reference	LVTS LET PRD-010
M	32a	Value Date/Currency Code/Amount	961012CAD12000000,00
M	52a	Ordering Institution	ROYCCAT2
O	56a	Intermediary	
O	57a	Account With institution	
M	58d	Beneficiary	/XXXXXXX* CANADIAN IMPERIAL BANK OF COMMERCE TORONTO
O	72	Sender to Receiver Information	

M – Mandatory

O – Optional

* A list of the standard settlement instructions is attached as Exhibit II.

EXHIBIT II**STANDARD INSTRUCTURES FOR
SENDING A LET MT205 PAYMENT MESSAGE VIA TRANCHE 1 OR TRANCHE 2**

PARTICIPANT	MT205 ACCOUNT NUMBER
Alberta Treasury Branches	715-1033611-24
Bank of America (Canada)	65043333
Bank of Montreal	0099-341225
Bank of Nova Scotia	N/A
BNP Paribas (Canada)	N/A
La Caisse Centrale Desjardins du Quebec	N/A
Canadian Imperial Bank of Commerce	803014
Credit Union Central of Canada	N/A
HSBC Bank Canada	N/A
Laurentian Bank of Canada	10816041-906
National Bank of Canada	09756228600100101 **Send MT299 to BNDC CA MM INT**
Royal Bank of Canada	36462006443
Toronto-Dominion Bank	0360 01 433 2254