



**PAYMENTS
CANADA**

GUIDELINE

MISDIRECTED LYNX PAYMENTS

2022 CANADIAN PAYMENTS ASSOCIATION

This Guideline is copyrighted by the Canadian Payments Association. All rights reserved, including the right of reproduction in whole or in part, without express written permission by the Canadian Payments Association.

Payments Canada is the operating brand name of the Canadian Payments Association (CPA). For legal purposes we continue to use "Canadian Payments Association" (or the Association) in these rules and in information related to rules, by-laws, and standards.

payments.ca

IMPLEMENTED

December 15, 2022

AMENDMENTS

TABLE OF CONTENTS

IMPLEMENTED 2

AMENDMENTS 2

1. INTRODUCTION..... 4

2. GLOSSARY OF TERMS..... 4

3. CONTACT POINTS 5

4. ACTION BY CPA MEMBER INSTITUTION..... 5

5. REQUEST FOR INFORMATION BY SENDING PARTICIPANT 6

6. RESPONSE FROM RECEIVING PARTICIPANT TO INITIAL REQUEST FOR INFORMATION 6

7. RECEIVING PARTICIPANT’S POSSIBLE COURSE OF ACTION..... 6

8. RESPONSIBILITY OF THE LYNX PARTICIPANTS TO KEEP PARTIES INFORMED 8

1. Introduction

This guideline is to assist parties when a Lynx payment has been misdirected.¹

A Lynx payment shall, for the purpose of this guideline, be deemed to have been misdirected when the payee named in the Lynx payment message differs from the payee named on the transit or account number at the receiving participant identified on the payment message, and the amount of the payment has been made available to the payee named on the transit or account number.

This guideline is based on the commitment of the receiving participant and the sending participant to work together, with the overall goal being the resolution of the issue quickly and fairly. The rights and responsibilities of Lynx participants and their customers in respect of misdirected payments are for the most part covered by the contractual agreements in place between the participant and its customer.²

This guideline is not intended to create legal rights and obligations but is an expression of participants' common understanding of how to deal with misdirected payments. Customers are encouraged to contact their financial institution for information regarding their rights and responsibilities vis-à-vis the making and receiving of Lynx payment.

2. Glossary Of Terms

"Member" means any of those persons who are members of the Association pursuant to section 4 of the Canadian Payments Act.

"Originator" means the first sender of the first payment message (instruction to a CPA member institution to pay or to cause another CPA institution to pay) in any Lynx funds transfer;

"Participant" means a Member who is approved to Participate in Lynx in accordance with the Lynx by-law;

"Payee" or "Beneficiary" means the person, including a Receiving Participant, to whom the amount specified in a Payment Message is to be paid or credited, whether or not that person is the ultimate beneficiary of the amount;

"Payment Confirmation Reference Number" or "PCRN" means the alpha-numeric confirmation number that is generated by Lynx to identify a Lynx Payment Obligation that has been Settled through Lynx;

"Payment Message" means an electronic message that contains Settlement Instructions and the

¹ This guideline does not address the legal responsibility for the error, any obligation of a receiving participant to reimburse the amount of a payment message, or any obligation of a receiving participant to disclose the identity of the receiving participant's client.

² It should be noted that although the Lynx By-law and Rules do deal to a very limited extent with the issue of misdirected Lynx payments, it does not affect any right or remedy which a participant or any person may have under the general law.

information necessary for the Receiving Participant to make the amount of the payment finally and irrevocably available to the Payee;

"Receiving Participant" means a Participant that receives a Payment Message from another Participant;

"Sending Participant" means a Participant that sends a Payment Message to another Participant.

3. Contact Points

To initiate an investigation into a misdirected Lynx payment, clients should contact their financial institution with which the client has direct dealings related to making or receiving a payment. The contact point will normally be the customer representative or branch representative with whom the customer normally deals.

The basic principle applies whether the originator or intended payee is dealing directly with a Lynx participant or another financial institution which in turn deals with a Lynx participant. This will permit prompt action to be taken as a financial institution will be able to act on its own client's instructions or on communications from another financial institutions with which it has commercial dealings.

Notwithstanding the wording of this guideline, in circumstances where the originator or the beneficiary does not deal directly with the Lynx participant involved, they should contact the originator's or beneficiary's financial institution. The financial institution associated with the originator or beneficiary will then contact the Lynx participant (or CPA member who in turn contacts the Lynx participant). Where the originator or beneficiary does not deal with the Lynx Participant involved, this guideline should be read taking this fact into consideration and applied accordingly.

4. Action by CPA Member Institution

The information must be conveyed to the Lynx participants involved in the Lynx payment to ensure prompt action.

Once a party to a payment order (originator, sending participant, receiving participant, payee) has reason to believe that a Lynx payment has been misdirected, the following steps should be followed to ensure the fastest possible resolution of the issue.

- i. If the originator determines that a Lynx payment has been or may have been misdirected, it should contact its Lynx participant financial institution (the sending participant) and provide the sending participant with the pertinent facts. The sending participant will then contact the receiving participant.
- ii. If the intended beneficiary determines that a Lynx payment has been or may have been misdirected, it should contact the originator of the payment. The intended beneficiary can determine whether the originator has sent the payment order and if the payment order has been sent. The originator will be in position to contact its Lynx participant financial institution (the sending participant) and provide the sending participant with the pertinent facts.

At this point the Lynx participants will be in position to commence their internal investigations in an effort to determine what error was made and how best to deal with the error.

5. Request for Information by Sending Participant

The more information the sending participant can provide the receiving participant, and the sooner such information can be provided, the more likely the receiving participant will be able to quickly trace the disposition of the payment and take the appropriate action to address any request for rectification made by the sending participant.

When requesting information from a receiving participant about a payment that may have been misdirected, the sending participant should provide as many details of the payment as possible to assist the receiving participant in tracing the payment. The information provided by the sending participant should include:

- i. The payment reference number (PCRN and SWIFT reference number);
- ii. The amount of the payment message;
- iii. The date of the payment; and
- iv. The account number and intended beneficiary's name.

Furthermore, the sending participant should be prepared to provide the receiving participant with such other information as may be reasonably requested to assist the receiving participant in tracing the funds or to satisfy the receiving participant of the bona fide nature of the request for the information.

6. Response from Receiving Participant to Initial Request for Information

Prompt action on any request will keep the lines of communication open, provide confidence in the process, and allow information to be provided to all concerned.

The receiving participant should respond to the request for information as soon as reasonably possible with no unnecessary delay. The initial response will be to either provide all or a part of the information requested or to indicate that the information is not or cannot be made available. Where the information is not or cannot be made available, the receiving participant will indicate the reasons why and the estimated time (if any) when the information will be made available.

7. Receiving Participant's Possible Course of Action

As part of any investigation in response to a request for information, the receiving participant should attempt to confirm whether the amount of the payment message has in fact been misdirected. If so, the receiving participant should endeavor to take prompt action. This action must not contravene the Lynx By-law and Rules and should respect the principle of Lynx payment finality. The receiving participant should endeavor to cooperate with the sending participant and the originator of the payment order. The receiving participant should also recognize the rights of its clients and any duty of client confidentiality.

- i. Amount of payment not made available to the unintended recipient.

Where it is confirmed that the payment is misdirected and where the payment has not been made available to the unintended recipient at the time of the initial notice being received from the sending participant, the receiving participant shall deal with the amount of the payment message in accordance with the terms of the Lynx By-law and Rules.

- ii. Amount of payment made available to the unintended recipient.

Where it is confirmed that the payment is misdirected and where the payment has been made available to the unintended recipient at the time of the initial notice being received from the sending participant, the receiving participant should use its best efforts in the circumstances to investigate the disposition of the amount of the payment message. Without undue delay following such investigation, the receiving participant shall attempt to contact the unintended recipient of the funds to obtain a reimbursement of the amount of the payment or to obtain permission to debit that recipient's account and the receiving participant shall take such remedial action, to the extent permitted by law, as is reasonably possible in the circumstances.

*Note: prior to the reimbursement of any funds or the provision of any particulars as to a customer's identity, the receiving participant may request an indemnification, in a form that is acceptable to the receiving participant, from the sending participant.*³

- iii. Unintended recipient consents to effect a reimbursement of funds.

If the unintended recipient consents to the receiving participant debiting its account or the unintended recipient reimburses the receiving participant for the amount of the misdirected payment, the receiving participant shall redirect the funds according to instructions from the sending participant, provided the intended payee's account is with the receiving participant, or make a Lynx payment to the sending participant in the amount of the original payment.

- iv. Unintended recipient does not consent to effect a reimbursement of funds.
 - a. **Funds in the account:** If the funds are in the unintended recipient's account and the unintended recipient does not consent to the receiving participant debiting its account, the receiving participant shall, subject to receipt of appropriate indemnification (if any), promptly provide as much information as possible to the sending participant consistent with its duty to its customer. In addition, the receiving participant shall comply with the terms of any court order which might be obtained by the sending participant or other party, such as the originator, requiring the receiving participant to freeze the account of the unintended recipient, debit such account and reimburse the sending participant or reapply the funds. The sending participant will give the receiving participant prior written notice of its application for any such court order.
 - b. **Funds no longer in the account:** If the funds are no longer in the account of the unintended recipient and the unintended recipient does not reimburse the receiving

³ For examples of a indemnity form, see Appendix I of Lynx Rule 10.

participant for the amount of the misdirected payment, the receiving participant shall without undue delay notify the sending participant of this fact, along with all pertinent details, subject to receipt of appropriate indemnification (if any), to the extent permitted by law, as to the problem delaying the reimbursement of the funds to the sending participant.

8. Responsibility of the Lynx Participants to Keep Parties Informed

The Lynx participants have an obligation to keep their clients and other parties informed. It is important that the Lynx participants keep their clients, and to the extent permitted by law, all other parties, fully informed of the investigation and the progress (or lack of progress) in retrieving the funds. This will ensure that the parties are, to the extent possible, in possession of all relevant facts to permit them to consider all of their options. These options, which are outside of the purview of the CPA, could include an originator initiating proceedings against an unintended recipient who is retaining the funds or bringing a motion to freeze the account where the funds were deposited, until outstanding issues/claims can be resolved.

-- END OF DOCUMENT --