



**PAYMENTS
CANADA**

RULE K6

INTERMEMBER U.S. DOLLAR INTEREST CLAIMS

2020 CANADIAN PAYMENTS ASSOCIATION

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IMPLEMENTED

September 20, 1989

AMENDMENTS PRE-NOVEMBER 2003

May 13, 1992, September 23, 1992, September 29, 1994, and March 25, 1996.

AMENDMENTS POST-NOVEMBER 2003

1. Amendments to remove procedures related to the correction of USBE clearing errors and add a reference to the location of the procedures in Rule K4. Approved by the Board February 13, 2014, effective April 7, 2014.

Introduction

1. The following procedures are designed to assist Members of the Canadian Payments Association (CPA) in obtaining, through mutual agreement, reasonable settlement of interest claims resulting from errors in intermember exchanges. The settlement of interest claims among Direct Clearers should be in a manner which, as far as is practical, removes the possibility of one Direct Clearer becoming unjustly enriched as the result of an error in the exchange process, and be consistent with the need to improve the efficiency of operations and to minimize the administration involved.

Applicability

2.
 - a. These rules apply solely to the settlement of claims resulting from errors in the U.S. dollar bulk exchanges between Members of the CPA. The rules are not intended to apply to settlements between a Direct Clearer and a correspondent. Any errors in the payments of amounts due must be settled by arranging for “good value” adjustment in New York at the receiving bank’s account. At the option of the receiving bank, adjustments may be made on an individual basis in accordance with section 3, “INTEREST CALCULATIONS”, below.
 - b. Notwithstanding the above, the terms of any agreements between Chartered Banks relative to the operation of accounts for the maintenance of primary reserves and for exchange and settlement purposes will continue to apply.

Interest Calculations

3. Interest will be calculated in the following manner:
 - a. Rate
 - i. The interest rate shall be based on the Federal Funds Rate which is published daily by the Federal Reserve Bank of New York;
 - ii. The conversion of the rate to a daily rate shall be based on 360 days; and
 - iii. If during the interest period, as defined below, more than one Federal Funds Rate has been published, then only one interest rate is to be used in the interest calculation. This interest rate will be the average of all Federal Fund Rates published during the interest period.

- b. 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. This shall be that period starting with the anticipating established settlement date and ending with the day prior to the settlement date of the correcting entry, up to a maximum of 90 days. Interest claims by the Direct Clearer responsible for the missing or defective endorsement, under error condition 7 (iii) following, will be limited to five (5) business days.

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c. Amount of Claim

Individual interest claims which are calculated at under \$500 are waived except those with respect to items in dispute (see Rule K1, section 32 "ITEMS IN DISPUTE"). For these items, there will be no minimum amount nor maximum time for which a claim can be made.

d. Payment

Interest claims for errors in the Intermember bulk exchanges shall be payable in U.S. funds. Payment shall be made by way of a separate wire through New York. (Refer to Rule K1, Appendix III for payment instructions).

e. Penalty

No penalty fees shall apply to interest claim adjustments for errors in the Intermember U.S. bulk exchanges.

Notice of Claim

4. a. Upon discovery or notification of an error, the Direct Clearer to which interest accrues will send a letter to the Direct Clearer from which interest is due enclosing supporting documentation and specifying the following information:
 - i. date and details of transaction;
 - ii. the number of days, the amount and the rate of interest applicable.
- b. Notice of interest claims must be given within three (3) months following the date of the transaction in question, except in cases of interest claims with respect to items in dispute for which no maximum time period applies (see Rule K1, section 32, "ITEMS IN DISPUTE").
- c. Once agreement has been reached between the parties, payment will be issued to the claimant Direct Clearer, according to item 3(d) (above).

Correction of Errors

5. All clearing errors that are detected and agreed upon by the affected Direct Clearers shall be corrected in accordance with the procedures provided for in Rule K4.

Disputes

6. Any disputes arising from the contention that remedial action for errors in intermember exchanges which could have been taken, was not taken, or that the response for remedial action was slow by the Direct Clearer that benefited or by the Direct Clearer that was mistakenly debited, shall be referred for resolution to the PAYMENTS CONTACT as described in Rule K1, Appendix III of this Manual.

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Each relevant Direct Clearer shall participate with its customers in equitably resolving any loss to a customer arising from an error in the intermember exchange that exceeds the limits of compensation provided for in these Rules.

Examples of Error Conditions Which Give Rise to Interest Claims

7. Intermember U.S. dollar interest claims may result from the following types of errors in the U.S. dollar bulk exchanges:
 - i. Wrong amounts encoded on cheques.
 - ii. Clearing of postdated cheques.
 - iii. Return through the clearing of cheques \$50,000 and over for defective or missing endorsement. (Rule A4, section 14, and Rule K1, section 30, "RETURNED ITEMS".)
 - iv. Failure to settle on value date.
 - v. Errors in settlement amounts.