



**PAYMENTS
CANADA**

LYNX RULE 14

CLAIMS AND COMPENSATION

2023 CANADIAN PAYMENTS ASSOCIATION

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TABLE OF CONTENTS

IMPLEMENTED	3
AMENDMENTS	3
PURPOSE	4
INTEREST RATE	4
ADMINISTRATIVE COST REIMBURSEMENT	4
MINIMUM AMOUNT	4
PERIOD.....	4
SUBMISSION OF CLAIM	5
NOTICE	5
SETTLEMENT OF CLAIM.....	5
BACK VALUATION	5
RETURN OF PAYMENT FEE	6
USE OF FUNDS	6
OTHER.....	6

IMPLEMENTED

August 29, 2021

AMENDMENTS

1. Updates to accommodate the introduction of Payment Messages in the Lynx MX Format. Approved by the Board June 23, 2022, effective November 20, 2022.
2. Amendments to section 11 to update the definition of the lower limit of Operating Band. Approved by the Board March 2, 2023, effective May 3, 2023.
3. Amendments throughout rule to accommodate Swift name rebranding. Approved by the Board May 12, 2023, effective July 11, 2023.

RULE 14 – CLAIMS AND COMPENSATION

Purpose

1. The purpose of this Rule is to govern the settlement of claims and adjustments relating to Lynx Payment Messages between Participants. The Participants involved will settle such claims using the “use of funds” concept or the “back valuation” concept (where there is agreement) so that no Participant is unjustly enriched or unduly harmed regardless of who (Participant or customer) caused the error.

All claims between Participants, regardless of who caused the error, are subject to the rates and fees under this Rule. Any resolution of a claim between a Participant and its customer is a proprietary matter, to be dealt with by that Participant and the customer.

Interest Rate

2. The interest rate that will be used to determine compensation amounts between Participants is the Bank Rate for back valuation, the lower limit of the Operating Band for use of funds, or the difference between the Target Rate and the lower limit of the Operating Band for late payments. The rate will be averaged over the claim period and the conversion of the rate to a daily rate is to be based on 365 days (including leap years). If there is a discrepancy with the interest rate calculation and that discrepancy is \$10.00 or less, the requested amount should be accepted and paid without further negotiation.

Administrative Cost Reimbursement

3. An administrative cost reimbursement (ACR) of three hundred dollars (\$300.00) per Lynx Payment Message may be collected, by the Participant incurring the extra work, from the Participant causing the error only when a claim for compensation is made. If a separate claim investigation is subsequently launched on a Lynx Payment Message which was previously investigated, the ACR of three hundred dollars (\$300.00) will again apply. The ACR should not be collected for any amendments that are made to a Payment Message by the Receiving Participant, regardless of whether the Sending Participant requested the amendment.

Minimum Amount

4. No claim may be made where the amount claimed minus the administration cost reimbursement is less than three hundred dollars (\$300.00).

Period

5. The period over which interest will be payable is equal to the number of days for which the availability of funds has been lost. This is deemed to be that period starting with the day

RULE 14 – CLAIMS AND COMPENSATION

the original Lynx Payment Obligation was settled and ending with, but including, the day prior to when the error was corrected, up to a maximum of 90 days.

Submission of Claim

6. Upon discovery or notification of an error, the Participant to which interest is owed will notify the Participant from which interest is due through an authenticated message (primary method would be via Swift) specifying the following information:
 - a. date, amount, and either PCRN or sender transaction reference number (Field 20 or Instruction ID for Payment Messages in the MT Format or the Lynx MX Format respectively);
 - b. name of Payee; and
 - c. the number of days, the amount and the rate of interest applicable.

Any disagreement must be resolved by the Sending and Receiving Participant.

Notice

7. Any notice of claim must be received within ninety (90) days after the Lynx settlement date of the Lynx Payment Obligation. Claims received after this period will be a matter for negotiation between the Sending and Receiving Participant.

Settlement of Claim

8. The settlement of an interest claim must:
 - a. upon receipt of the claim, be finalized within fifteen (15) business days; and
 - b. payment of any amount owed must be sent by MT 205 or pacs.009 core with payment details provided (Field 72 or Remittance Information/Unstructured element for Payment Messages in the MT Format or the Lynx MX Format respectively).

Back Valuation

9. A Participant which sent a Payment Message may, subject to the payment of compensation, request that the Receiving Participant back value the amount of the Payment Message to the Payee's account. The Receiving Participant may back value the amount of the Payment Message to the date requested unless:
 - a. the Payee requests the Receiving Participant not to back value the amount of the Payment Message;

RULE 14 – CLAIMS AND COMPENSATION

- b. the Payee's account has been closed; or
- c. the request is not made within 90 days of the original value date of the Payment Message

Any back-value request made is subject to agreement between the Sending Participant and Receiving Participant. The compensation due for any back valuation must be calculated as follows:

$$\frac{(\$ \text{ of payment})(\text{Bank Rate})(\# \text{ of days back valued})}{365 \text{ days}} + \$300 \text{ ACR}$$

Return of Payment Fee

10. Any amount of \$100.00 or more that is returned by the Receiving Participant is subject to a \$25.00 administrative fee regardless if the value of the Payment Message is returned the same day or a future Business Day. The administration fee is in addition to any compensation to which the Receiving Participant may be entitled to under section 12.

Use of Funds

11. If a Receiving Participant returns the amount of the Payment Message on any Business Day other than the day of receipt of original Payment Message, the Sending Participant may request compensation from the Receiving Participant as set out below:

$$\frac{(\$ \text{ of payment})(\text{Target Rate minus } 25 \text{ basis points}^1)(\# \text{ of days})}{365 \text{ days}} - \$300 \text{ ACR}$$

Other

12. A Participant that sends a Payment Message during Settlement Window 2 that has not been specifically agreed to by the Receiving Participant as required under Rule 9 must pay the Receiving Participant an administrative cost reimbursement of three hundred dollars (\$300.00) plus interest at the request of the Receiving Participant. The compensation must be calculated as follows:

$$\frac{(\$ \text{ of payment})(\text{Target Rate} - \text{lower limit of Operating Band})(\# \text{ of days})}{365 \text{ days}} + \$300 \text{ ACR}$$

¹ As defined by Bank of Canada's Market Operations Indicators
(<https://www.bankofcanada.ca/rates/indicators/market-operations-indicators/>)