

CANADIAN PAYMENTS ASSOCIATION
ASSOCIATION CANADIENNE DES PAIEMENTS

RULE J10

INTERMEMBER DOMESTIC INTEREST CLAIMS

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Rule J10 - Intermember Domestic Interest Claims

Implementation and Revisions

Implemented

February 1983

Amendments Pre-November 2003

July 1984, September 29, 1994, May 25, 2000 and July 24, 2000.

Amendments Post-November 2003

1. Amendments to reflect consistency with the new CPA Payment Items and ACSS by-law, approved by the Board November 27, 2003, effective January 27, 2004.
2. Section 15, approved by the Board June 29, 2004, effective September 20, 2004.
3. Amendments to Section 13a) and 15 to introduce flexibility in determining the ACSS interest rate applied for the compensation for overnight use of funds, approved by the Board June 11, 2009, effective August 10, 2009.
4. Amendment to replace references to “General Manager” with “President”, consequential to amendments to the *Canadian Payments Act* (Bill C-37) that came into effect on March 1, 2010.
5. Amendments to reflect current practices, approved by Board February 23, 2012, effective April 23, 2012.
6. Amendments to remove references to procedures for the correction of clearing errors and add a reference to the location of the procedures in Rule B1. Approved by the Board February 13, 2014, effective April 7, 2014.



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Introduction

1. The following procedures are designed to assist Direct Clearers in obtaining, through mutual agreement, reasonable settlements of interest claims resulting from Clearing errors and errors or omissions in the execution of domestic credit transfer of funds. 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 and Clearing process, or an error or omission on the part of another Direct Clearer for domestic credit transfer of funds, and be consistent with the need to improve the efficiency of operations and to minimize the administration involved.

Part I – Interest Claims for Clearing Errors

Applicability

2. These rules apply solely to the settlement of domestic claims between Direct Clearers of the Canadian Payments Association. They are not intended to apply to settlements between a Direct Clearer and a correspondent.

Interest Calculations, Minimum Amount

3. Interest will be calculated in the following manner:
 - a) Rate
 - (i) The interest rate shall be the Bank Rate minus one quarter of one percent (0.25%) or such other rate as established by the President in consultation with Direct Clearers, for the interest claim period.
 - (ii) The conversion of the rate to a daily rate shall be based on 365 days.
 - (iii) If during the interest period, as defined below, more than one Bank Rate is published, then one interest rate is to be used in the interest calculation. This interest rate will be the average of all Bank 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 deemed to be that period starting with the day when the entries were incorrectly made or should have been settled through the Bank of Canada and ending with, but including, the day prior to when Settlement for the correct entries is effected, up to a maximum of 90 days. Interest claims by the Direct Clearer responsible for the missing or incomplete Endorsement, under error condition identified in subsection 7(c), will be limited to 5 Business Days.
 - c) Amount of Claim

Individual interest claims under \$500 are unauthorized except those with respect to Items in Dispute for which no minimum amount applies (see Rule A6).



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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 account name of the beneficiary;
 - (iii) the number of days, the amount and the rate of interest applicable.
- b) Notice of interest claims must be given within three 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 A6).
- c) Once agreement has been reached between the parties an LVTS Payment Message (MT205) will be issued to the claimant Direct Clearer within thirty (30) days from the effective date of the agreement.

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 B1.

Disputes

6. Any disputes, arising from the contention that remedial action for Clearing errors in intermember clearing 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 to the Chief Accountants of the Direct Clearers concerned for resolution. Each relevant Direct Clearer shall participate with its customers in equitably resolving any loss to a customer arising from a Clearing error or in the execution of a domestic credit transfer of funds that exceeds the limits of compensation provided for in this Rule.

Examples of Error Conditions which Give Rise to Interest Claims

7. Examples of error conditions that may result in intermember domestic interest claims include:
 - a) Wrong amounts encoded on Payment Items;
 - b) Exchange of postdated Cheques;
 - c) Return of Cheques \$50,000 and over for missing or incomplete Endorsement;
 - d) Omitting to list an Item included in the Exchange;
 - e) Omitting to Exchange an Item listed; and
 - f) Routing an Item to the wrong Financial Institution.



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Part II – Interest Compensation Related to ACSS Clearing Balances for Settlement

Entitlement to interest

8. A Direct Clearer whose Settlement Account is to be credited in Settlement of a positive Clearing Balance at the end of any given ACSS Cycle shall be entitled to interest from other Direct Clearers in an amount to be calculated in accordance with section 10.

Obligation to Pay Interest

9. A Direct Clearer whose Settlement Account is to be debited in Settlement of a negative Clearing Balance at the end of any given ACSS Cycle shall pay interest to other Direct Clearers in an amount to be calculated in accordance with section 10.

Calculation of Interest

10. The interest owing or owed between Direct Clearers pursuant to sections 8 and 9 will be calculated in the following manner:
- a) The interest rate shall be the Bank Rate minus one quarter of one percent (0.25%) or such other rate as established by the President in consultation with Direct Clearers.
 - b) The interest shall be calculated and payable on a daily basis, based on the following formula:

$$A \times B \times C / 365$$

where

- A is the total of the net amount owing to or by a Direct Clearer as a result of Clearing;
- B is the rate referred to in paragraph a);and
- C is the number of calendar days between and including the Business Day immediately preceding the date of Settlement, and the date of Settlement.

Payment of Interest

11. The interest owing or owed pursuant to sections 8 and 9 and calculated pursuant to section 10, will be added to or deducted from the total of the net amounts owing to or by each Direct Clearer as a result of Clearing, to form a final Clearing Balance for Settlement.

Entry of Interest Rate in the ACSS

12. The CPA will enter into the ACSS the interest rate to be used for the calculation of interest owing to or by each Direct Clearer as a result of Clearing, following established procedures that may be amended by the CPA from time to time. Notwithstanding best efforts to protect against the possibility of entry errors, under no circumstances will the Association, or any of the Association's directors, officers or employees be liable for any loss or damage suffered by a member for anything done or omitted to be done honestly and in good faith in the administration or discharge of these procedures.

