



Update about fund transfers

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There has been much written about how lawyers receive and deliver money from their trust accounts on behalf of their clients as part of a transaction. The issue comes down to ensuring good funds are being dealt with in order that value is exchanged. In Canada, our banking system works on the basis of trust, providing you with a provisional credit. Financial institutions (FIs) trust that the money destined for an account is good and thereby provide an immediate credit to the recipient for the designated amount, subject to the funds being settled or the credit reversed. Lawyers should be leery of exposing themselves to a situation where money they are dealing with is removed from their account by the FIs.

Existing Payment Channels

Payments Canada, which sets the rules for all fund transfers in Canada has, until recently, had two channels for the transfer of money – Automated Clearing Settlement System (ACSS) or the Large Value Transfer System (LVTS). Under the rules, only LVTS funds were irrevocable, so that once deposited into a lawyer's trust account, they could not be reversed. The problem is, our existing channels have very limited data transfer ability so, although we see a dollar in our account online, we do not know if it was funded via ACSS or LVTS.

Modernization of Payment Channels

Payments Canada has undertaken a modernization of its banking channels for three channels to better respond to modern transfer needs. In August 2021 it launched LVTS's replacement, Lynx. You noticed no difference in banking process due to the extensive planning undertaken. Lynx now has updated coding to allow more features to be added. One of the significant features will be the addition, this fall, of the ISO 20022 international data rich capability. Systems will be able to exchange much information and automatically update accounting systems without the need for manual entry for the transfer or receipt of funds. It is hoped that users will be able identify the channel used to confirm that the funds are irrevocable. The good news is that all three new channels will be dealing with irrevocable funds, but until all three are launched, we will continue to have various sources that may or may not be good irrevocable funds.

The second channel to be launched will be Real Time Rail (RTR), which is promoted to be for small dollars transactions, possibly up to \$50,000 initially and more later as FIs know more about possible fraud and other risks. In the USA and UK, where they have had these systems for some time, they are presently transacting much greater amounts. The third channel will replace ACSS with Retail Batch Payments. This, as presently, will process all online utility payments, cheques, payroll payments, debit and other similar transactions. The RTR is expected in June 2023 and the third some time after.

Lender-Lawyer Working Group

Lawyers should consider recent important developments that could improve their practices.

The Canadian Bar Association Real Property Section has been in discussions with the Canadian Bankers Association and its members to address issues of concern to both lawyers and lenders. The discussions have led to the creation of four important documents that can be found on the CBA Mortgage Instructions Toolkit ([MIT](#)) [webpage](#).

1. [Information Required from Lawyers for Wire Transfer of Mortgage Payout/Discharge](#), indicates which FIs (six at present) will accept a wire payment to discharge their mortgage and the details of where to send the payments and any relevant information required.
2. [Portal Providers for Mortgage Instructions and Discharge Statements at Lenders](#), provides lawyers with information on where and how to order a discharge of mortgage statement to receive it in a timely fashion for the closing (12 FIs presently).
3. [Phone Numbers and Web Page Addresses for Mortgage Prepayment Information for Borrowers](#), has information for clients who wish to exercise a prepayment prior to discharging their mortgage to benefit from a reduced penalty on the payout of their mortgage. It is important to note that this cannot be done in conjunction with the payout of the mortgage. (9 FIs presently)
4. [Best Practices Guide for Wires](#) is a document for lawyers to ensure the most efficient and timely processing of wires from their account and into the FIs or others account. FIs are promoting the use of wires and reducing or eliminating the use of certified cheques and bank drafts, but lawyers and clients are frustrated by the time delays in funds being credited to the recipient's account. These best practices seek to ensure the smooth and timely processing of wire instructions by the sending and receiving FI.

How to Identify Good Funds - The PRCN

How does one identify good irrevocable funds in your account for funds wired to you? Upon settlement of a Lynx Payment Obligation, Lynx will generate a unique confirmation number for that payment, the *Payment Confirmation Reference Number* (PCRN) and make it available to the Sending and Receiving Participants via the Lynx Web Client. Any Lynx Payment Obligation that Settles and has a PCRN assigned is final and irrevocable in Lynx.

The PCRN is available to the sender of the wire from their desktop after the wire has been sent. The sender has access to the FI's wire report and can send it to the other side to prove a wire has been sent. The PCRN is composed of 4-letters and 9-numbers, starting with "LVTS" followed by 9-digits. Any recipient of wired funds should be asking the sender to provide them with their sending receipt showing the PCRN. Lawyers receiving a wire should insist that their FI provide them with the PCRN they received with the wired funds. Matching the PCRN will confirm that the funds were transferred via Lynx, a secure channel which delivers irrevocable funds. A receiving FI participant must provide a payee with the PCRN if the receiving participant has the number, and it is requested by the payee¹. Lawyers should ask their FI to add the PCRN to the transaction so that it is visible from an online view of their trust account.

¹ Section 39, Canadian Payments Association By-law No. 9 – Lynx SOR/2021-182.

Caution – Fraud

One caution with wires is where they are destined to be deposited. A major source of fraud is seen all across the world by way of email fund redirection scams. This consists of fraudsters infiltrating email accounts, anyone’s account in the email thread for that transaction, and monitoring for a payment event. The fraudsters then direct or redirect the payment of the funds from the legitimate account to their own. This might be in the body of an email or in an attachment, such as a direction to pay or a discharge statement from an FI. Fraudsters are very talented at reproducing very credible looking documents with their banking details instead of the ones you intended to benefit. To avoid being a victim of these email diversion scams, **call to verify the account information before you click to send the wire**, even for existing clients for which you transferred funds before. Also, warn your clients to be on guard and to call you before they send any wire after receiving an email or other request. LAWPRO has an article on how to [avoid being a victim](#) and what to do if you realize the money was sent to the [wrong account](#). In addition, we have a [CPD program](#) for you and your staff to watch and get CPD credits. **Be vigilant and educate everyone in the office. CALL BEFORE YOU CLICK!**

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