

**CLEARING HOUSE INTERBANK PAYMENTS SYSTEM
RULES ON INTERBANK COMPENSATION**
REFERENCE (SECTION 3.5 OF THE LIMITED LIABILITY COMPANY AGREEMENT OF
THE CLEARING HOUSE PAYMENTS COMPANY L.L.C.)
(EFFECTIVE NOVEMBER 22, 2010)

PART I. GENERAL

1. SCOPE.

These Compensation Rules (the “Rules”) govern the settlement of claims for compensation between the participants in the Clearing House Interbank Payments System (“banks”), including their overseas branches and excluding their subsidiaries, arising from interbank funds transfers (other than ACH payments) in United States dollars regardless of:

- (i) the original source or ultimate beneficiary of any payment, whether foreign or domestic;
- (ii) the manner of payment (e.g., Fedwire, CHIPS, check, telex);
- (iii) the type of funds involved (e.g., same-day funds, next-day funds);
- (iv) the nature of the underlying transaction (e.g., securities transaction, foreign exchange); or
- (v) the departments of the banks involved in initiating, processing, or receiving the transaction.

2. NATURE OF THE RULES.

(a) Not every possible claim for compensation is explicitly addressed by these Rules. When a claim for compensation is not explicitly addressed by these Rules, it should be settled so that neither the receiving bank nor the paying bank is unjustly enriched or injured.

(b) Notwithstanding any provision of these Rules, when a claim for compensation meriting special attention is identified, particularly one involving a principal amount of \$100 million or more, it should be settled so that neither the receiving bank nor the paying bank is unjustly enriched or injured.

(c) Unless, otherwise specified, compensation in connection with a claim meriting special attention shall not exceed the benefit derived by the bank obligated to pay compensation. This limitation may be invoked, for example, in the case of Rule 3, 4, or 5 of Part II, if a beneficiary withdraws the funds from its account so that its bank does not have use of the funds.

(d) Payment or attempted payment of compensation pursuant to these Rules does not constitute and should not be construed as an admission of negligence or fault on the part of any of the banks involved.

3. MANNER OF PAYMENT.

Compensation under the Rules shall be paid in United States dollars. A compensation payment may be made by CHIPS, Fedwire, or check. Banks may alter the manner of payment of compensation by prior mutual agreement.

4. BENEFICIARIES.

The Rules do not confer any right on any person, entity, or organization not a participant in the Clearing House Interbank Payments System.

5. THIRD PARTIES.

The Rules do not apply to claims for compensation arising from actions of entities that are not participants of the Clearing House Interbank Payments System.

PART II. INTERBANK FUNDS PAYMENTS

1. DEFINITIONS.

(a) "BUSINESS DAY" means a Monday, Tuesday, Wednesday, Thursday, or Friday that is not a day on which the office of the bank that under these Rules is required or expected to perform an action is authorized or obligated by law or executive order to close.

(b) "FED. FUNDS RATE" means the average of each day's federal funds rate, as published on a daily basis by the Federal Reserve Bank of New York, for the days that a bank must include in the applicable formula(s) in calculating compensation. The daily Fed. Funds Rate for any day on which a published rate is not available shall be deemed to be the same as the immediately preceding published rate.

(c) "APPLICABLE FDIC ASSESSMENT" means the amount of the increase, if any, in an FDIC assessment payable or paid by the receiving bank because the relevant payment increased the base on which the FDIC assessment is calculated. The amount of the increase will be calculated using the assessment rate adopted by the FDIC for the lowest risk classification in its risk-related schedule.

2. BACK VALUATION.

(a) A bank that sent a payment may request the bank that received the payment to back value such payment. Generally, such request is accompanied by a payment for the amount of compensation owed pursuant to the formula below. If compensation is paid, the receiving bank is obligated to back value the payment to the date requested, unless (i) its customer instructs it not to back value such payment, (ii) the account has been closed, (iii) the sending bank requests a back

valuation to a date more than one year prior to the payment date, or (iv) the compensation payment is received more than one year after the payment date.

(b) If the receiving bank back values the payment pursuant to the request of the sending bank, the sending bank must pay the receiving bank compensation according to the following formula (without regard to whether or not the beneficiary's account was actually in an overdraft position):

$$\text{Compensation} = \frac{(\text{Dollar Amount of Payment}) (\text{Fed. Funds Rate}) (\text{No. of Days Back Valued})}{360} + \$300^*$$

*\$300 is paid to the bank that received a payment to compensate it for its administrative costs in back valuing a payment.

3. FORWARD VALUATION.

(a) A bank that sent a payment may request the bank that received the payment to adjust the payment to a future value date. The receiving bank is not obligated to make such an adjustment.

(b) If a receiving bank adjusts the payment to a future value date pursuant to the request of the sending bank, the receiving bank must, upon receiving a claim for compensation within 60 days from the date on which the requested adjustment was made, pay the sending bank compensation according to the following formula:

$$\text{Compensation} = \frac{(\text{Dollar Amount of Payment}) (\text{Fed. Funds Rate}) (\text{No. of Days Forward Valued})}{360} - (\$300^* + \text{Applicable FDIC Assessment})$$

*The \$300 deduction is allowed to compensate the receiving bank for its administrative costs in adjusting a payment to a future date. The receiving bank is not entitled to the \$300 deduction if a request for a change of beneficiary (Rule 5) also accompanies a request for forward valuation.

(c) A receiving bank that claims an Applicable FDIC Assessment warrants to the sending bank that such amount (or at least the amount calculated at the lowest risk-related assessment rate) is payable or has been paid by it to the FDIC and has not been and will not be recovered. If a receiving bank adjusts the payment pursuant to the request, the receiving bank is entitled to compensation for an Applicable FDIC Assessment even if the sending bank does not claim compensation. However, a receiving bank's claim for an Applicable FDIC Assessment in such a situation must be made within 60 days from the date on which the requested adjustment was made.

(d) If a claim for compensation has been made by the sending bank and the compensation is calculated to be zero or a negative number, neither the receiving bank nor the sending bank shall pay any compensation unless a claim for an Applicable FDIC Assessment has been made. However, if a claim for an Applicable FDIC Assessment has been made and the compensation is calculated to be a negative number, the sending bank shall pay the receiving bank the amount of compensation calculated, i.e., the absolute value of the negative number calculated, provided such value is \$1,000 or greater. If a claim for compensation has not been made by the sending bank and the receiving bank has made a claim for an Applicable FDIC Assessment, the sending bank shall pay compensation provided the value of such claim is \$1,000 or greater.

4. RETURN OF “MISSENT PAYMENT.”

(a) A bank that has sent a payment may request the bank that received such payment to return the funds. For example, a bank that has sent a payment that should have not been sent, sent a payment to the wrong bank, has sent a duplicated payment or has made an overpayment (each such payment or part thereof constituting an overpayment is hereafter referred to as a "missent payment"), may request the bank which received the missent payment to return it. To induce the receiving bank to return a missent payment the sending bank may issue an Indemnity conforming to the Clearing House Interbank Payments System Compensation Indemnity and Responses (“Indemnity”) (Appendix A). The receiving bank is not obligated to return the payment in reliance on the Indemnity.

(b) Except as provided under Rule 7 of this Part II, if a receiving bank returns a missent payment on any business day other than the day of its receipt, it shall, upon receiving a claim for compensation within 60 days from the date on which it returned the missent payment, pay the sending bank compensation according to the following formula:

$$\text{Compensation} = \frac{(\text{Dollar Amount of Payment}) (\text{Fed. Funds Rate}) (\text{No. of Days Not to Exceed 180})}{360} - (\text{Applicable Deduction}) + (\text{Applicable FDIC Assessment})$$

(c) If a missent payment is retained by the receiving bank for more than 180 days, the Fed. Funds Rate means the Fed. Funds Rate in effect during the most recent 180-day time period.

(d) “APPLICABLE DEDUCTION” means (i) \$750 when a missent payment is returned no later than two business days after the date of receipt of an Indemnity, or when a missent payment is returned without receiving an Indemnity; or (ii) \$300 in all other cases.

(e) A receiving bank that claims an Applicable FDIC Assessment warrants to the sending bank that such amount (or at least the amount calculated at the lowest risk-related assessment rate) is payable or has been paid by it to the

FDIC and has not been and will not be recovered. If the missent funds are returned to the sending bank, the receiving bank is entitled to compensation for an Applicable FDIC Assessment even if the sending bank does not claim compensation or requests another party to return the funds. However, a receiving bank's claim for an Applicable FDIC Assessment in such a situation must be made within 60 days from the date the missent funds were returned.

(f) If a claim for compensation has been made by the sending bank and the compensation is calculated to be zero or a negative number, neither the receiving bank nor the sending bank shall pay any compensation unless a claim for an Applicable FDIC Assessment has been made. However, if a claim for an Applicable FDIC Assessment has been made and the compensation is calculated to be a negative number, the sending bank shall pay the receiving bank the amount of compensation calculated, i.e., the absolute value of the negative number calculated, provided such value is \$1,000 or greater. If a claim for compensation has not been made by the sending bank or another party has returned the funds and the receiving bank has made a claim for an Applicable FDIC Assessment, the sending bank shall pay compensation provided the value of such claim is \$1,000 or greater.

(g) A bank that returns a missent payment on the day of its receipt upon receiving an Indemnity is entitled to \$300 for its administrative costs in returning the payment but to no other compensation.

5. CHANGE OF BENEFICIARY (PAYMENT TO AN INCORRECT ACCOUNT OR NON-EXISTENT ACCOUNT).

(a) A bank that has sent a payment to the correct bank but indicated the payment was for credit to the wrong account or omitted the credit account may request the bank receiving the payment to adjust the payment to the correct account on its books. To induce the receiving bank to adjust a payment to the correct account, the sending bank may issue an Indemnity. The receiving bank is not obligated to adjust the payment in reliance on the Indemnity. Moreover, many banks will frequently refuse to adjust a payment if the request to do so is made more than 180 days after the payment date.

(b) If a receiving bank adjusts a payment on any business day other than the day of its receipt, the sending bank must, upon receiving a claim for compensation within 60 days from the date the payment was adjusted, pay the receiving bank compensation as follows:

(i) \$300 for making a beneficiary change between two of the receiving bank's foreign branches; or

(ii) in all other cases according to the following formula (without regard to whether or not the beneficiary's account was actually in an overdraft position):

$$\text{Compensation} = \$300^*$$

*\$300 is paid to a receiving bank for its administrative costs in applying a payment to a correct account.

(c) A bank that adjusts a payment to another account on its books on the same day it received such payment upon receiving an Indemnity is entitled to \$300 for its administrative costs in applying the payment to the correct account but to no other compensation.

(d) If a back valuation request accompanies a request for change in beneficiary, the compensation provisions of Rules 2 and 7 of this Part II also shall apply. If a request for forward valuation accompanies a request for change in beneficiary, the compensation provisions of Rule 3 of this Part II also shall apply.

6. CASH CONCENTRATION DRAWDOWN REQUEST.

(a) LATE RESPONSE TO A CASH CONCENTRATION DRAWDOWN REQUEST. When a bank has sent an authorized cash concentration drawdown request to another bank, within the appointed time, but payment pursuant to such request is not made on the anticipated business day, the bank making the drawdown request may request and obtain compensation according to the following formula:

$$\begin{aligned} \text{Compensation} = & \\ & \frac{[(\text{Amount of Payment}) (\text{Fed. Funds Rate}) (\text{No. of Days a Payment Was Delayed})]}{360} \\ & + \$300* \end{aligned}$$

*\$300 is allowed to compensate the requesting bank for its administrative costs involved.

(b) [Reserved]

(c) “APPOINTED TIME” under this Rule means within the time period specified for responding to such pre-authorized drawdown requests in the agreement governing such requests and responses between the requesting and sending banks.

7. NETTING OF COMPENSATION.

In the following instance, compensation shall be netted as described below.

Bank A sends a payment to Bank B with incorrect beneficiary information. Bank B returns the payment, unable to apply. Bank A resends the payment with correct information and a request for back valuation.

Bank B applies payment to the correct account.

Bank A owes Bank B 100% compensation for back valuing a payment to the day it originally sent the payment from the day that Bank B applied the payment from the correct account (including a \$300 fee), minus compensation owed by Bank B to Bank A

for use of funds from the day Bank B originally received the payment to the day it returned the payment, unable to apply. However, Bank B is not entitled to any applicable deduction from the compensation owed Bank A in connection with its returning the payment, unable to apply.

Appendix A

CLEARING HOUSE INTERBANK PAYMENTS SYSTEM

COMPENSATION INDEMNITY (THE “INDEMNITY”) AND RESPONSES

1. PURPOSE AND SCOPE.

The Indemnity that appears below is intended to be used by a bank sending a United States dollar payment (the “Paying Bank”) in order to induce a bank receiving that payment (the “Receiving Bank”) to act in an expeditious manner in one of the following two circumstances: (a) returning a missent payment or (b) adjusting a credit to the correct account when a payment was made to the correct Receiving Bank but for credit to an incorrect or non-existent account. When the Paying Bank issues the Indemnity, the Receiving Bank may rely on it, but is not obligated to act as requested by the Indemnity merely as a result of having received it. The Indemnity is not intended to be used in circumstances other than those set forth in (a) and (b) above or where the only reason for requesting the return or adjustment of a payment is the erroneous or unauthorized action of a third party. In such circumstances, claims for compensation are not governed by these Rules (see Rule 5 of Part I), and the banks involved should take actions and resolve any liabilities arising from the payment based on the facts of the individual case. Notwithstanding the foregoing, in any case where the Indemnity is issued by a Paying Bank and relied upon by a Receiving Bank, the Paying Bank is obligated (a) to indemnify the Receiving Bank in accordance with the terms of the Indemnity and (b) to comply with a Return of Funds notification pursuant to Section 7 of this Appendix A.

If a Receiving Bank, after accepting a payment order, returns or adjusts the payment in response to a request (whether oral, written, or electronically transmitted) that (a) does not expressly offer an indemnity to the Receiving Bank from the Paying Bank and (b) is not a Fedwire subtype code 01 message (request for reversal) or a Fedwire subtype code 07 message (request for reversal of prior day transfer), then the Paying Bank shall not have any liability to the Receiving Bank either under the indemnity that appears below or that might otherwise arise from the application of Section 4-A-211 (6) of the New York Uniform Commercial Code.

2. METHOD OF TRANSMISSION.

A Paying Bank should transmit the Indemnity and a Receiving Bank should transmit any response or release thereof, by telex, S.W.I.F.T., any other mutually agreed upon means of electronic transmission, or by letter. It is recommended that the Indemnity be sent by means of electronic transmission. If transmitted by telex, the telex must bear the sender’s test key number. If transmitted by S.W.I.F.T. or any other means of electronic transmission, the transmission must be authenticated. If transmitted by letter, the letter must be executed by an authorized signatory of the sender and must be hand delivered to the receiver by an authorized messenger from the sender. The receiver shall acknowledge receipt of such a letter. Such acknowledgment shall be considered

proof that such letter was properly delivered by the sender to the receiver. If transmitted by letter, each Indemnity must be enclosed in a readily identifiable envelope addressed to the Receiving Bank clearly marked with the notation "Indemnity."

3. FORMAT.

(a) The Indemnity must be in the following format:

REF. NO. _____

INDEMNITY

With reference to our payment date _____ by means of (Fedwire # _____, CHIPS # _____, S.W.I.F.T. # _____, or check # _____,) for U.S. \$ _____ in your favor (for the account of _____) by order of _____, we request that you:

[] Adjust the credit from the account of _____
_____ to the account of _____

[] Refund the amount of U.S. \$ _____ that was not intended for you;

[] Refund the amount of U.S. \$ _____ because the a _____ aforementioned payment was a duplication of (Fedwire # _____, CHIPS # _____, S.W.I.F.T. # _____, or check # _____); [] Refund the amount of U.S. \$ _____ that was an overpayment.

The correct amount should be U.S. \$ _____;
[] Pay us compensation calculated pursuant to the Clearing House Interbank Payments System Rules on Interbank Compensation from (payment date to the date on which you fulfill this request).

In consideration of your complying with the terms of this Indemnity we agree to indemnify you and your officers and employees against any and all claims, liabilities, losses, expenses, (including the reasonable fees and disbursements of your counsel) suits or damages resulting therefrom (each of the foregoing is hereinafter referred to as "loss"). We also agree to reimburse you for all costs and expenses for collection or otherwise (including the reasonable fees and disbursements of your counsel) in connection with your good faith efforts to enforce or preserve any of your rights under this Indemnity.

We represent and warrant that we are duly authorized by all necessary and appropriate corporate action to execute this Indemnity and

that this Indemnity is a valid and legally binding obligation of our bank. You agree to notify us of any such loss within ten business days of your receipt of notification of any such loss.

Pursuant to a Recall of Funds notification as provided under the Clearing House Interbank Payments System Compensation Indemnity and Responses, we will return on demand the amount refunded by you or reimburse you on demand for the amount of the adjustment.

You agree to contact your customer immediately to obtain its debit authorization. Upon receiving such debit authorization, our obligations under this Indemnity will cease and you will notify us of your release hereunder. Please make the appropriate response to this Indemnity.

(b) The Indemnity may be sent in an abbreviated format when it bears the statement: *“We agree to indemnify you according to the Clearing House Interbank Payments System Indemnity and Responses. (Ref. No. _____).”* Such statement will be deemed to incorporate the entire text of the Indemnity set forth above. The following information must also be provided in the abbreviated format:

- (1) Date of transfer
- (2) Amount of transfer
- (3) Method of transfer
- (4) Payment system identification
 - (a) Fedwire number
 - (b) CHIPS number
 - (c) S.W.I.F.T. number
 - (d) Check number
 - (e) Account number for party to whom payment was originally sent
 - (f) Account number of party to be credited
- (5) By order party
- (6) Description of action requested (including claim for compensation).

(c) The Indemnity may be given by sending structured format transaction codes established by procedures as set forth from time to time in the CHIPS Systems and Operations Manual for CHIPS participants to send and receive such indemnities. Such procedures permit the Paying Bank to cause CHIPS to transmit to the Receiving Bank a CHIPS service message that contains either the statement: *“We indemnify you under CHIPS or IFSA Compensation Rules as applicable (Ref. No. _____)”* or a structured format transaction code established by such Manual for such indemnities. Such CHIPS service message will be deemed to incorporate the entire text of the Clearing House Interbank Payments System Indemnity set forth above between participants in the Clearing House Interbank System ("CHIPS participant") and, to the extent permitted by International

Financial Services Association Interbank Compensation Rules, shall be deemed to incorporate the entire text of the IFSA Indemnity set forth in its Compensation Rules between a CHIPS participant and an IFSA member bank or between two IFSA member banks. The following information must also be provided in the CHIPS service message:

(1) Identification of the CHIPS payment message by which the transfer was made as follows:

- (i) Paying Bank's payment sequence number ("PSN")
- (ii) Amount of transfer
- (iii) Date of transfer.

(2) Identification of the parties (by name or account number or both where available but not merely by the CHIPS Universal Identification number) as follows:

- (i) Party to whom payment was originally sent
- (ii) By order party
- (iii) Party to whom corrected payment shall be made (if applicable).

4. RESPONSES.

(a) When a Receiving Bank determines it will return principal pursuant to an Indemnity, principal should be returned by CHIPS or Fedwire, and the Receiving Bank should notify the Paying Bank as follows:

*Returning your (Fedwire # _____, CHIPS # _____,
S.W.I.F.T. # _____, or check # _____) dated _____ for \$ _____
_____ pursuant to your Indemnity Ref. No. _____
dated _____
[We are forwarding the appropriate compensation.]*

(b) When in reliance on an Indemnity a Receiving Bank determines to adjust the beneficiary's account and account number, the Receiving Bank should notify the Paying Bank as follows:

*On (date), we adjusted your (Fedwire # _____, CHIPS # _____
_____, S.W.I.F.T. # _____, or check # _____) to read
(beneficiary and amount) pursuant to your Indemnity Ref. No. _____
dated _____. Please forward compensation of \$ _____.*

(c) When a Receiving Bank determines to take no action on an Indemnity because it contains insufficient information or is not in the standard format, the Receiving Bank should notify the Paying Bank as follows:

*Your Indemnity delivered by (S.W.I.F.T., telex, letter) Ref. No. _____
_____ dated _____ for \$ _____ covering*

instructions (Fedwire # _____, CHIPS # _____, S.W.I.F.T. # _____, or check # _____) dated by order of _____ cannot be acted upon because it contains (Incorrect Format, Incomplete Information, or Inappropriate Transmittal).

(d) When a Receiving Bank in its sole discretion determines not to take action requested by the Indemnity, the Receiving Bank shall notify the Paying Bank as follows:

We have determined to take no action pursuant to your Indemnity delivered by (S.W.I.F.T., telex, letter) Ref. No. _____ dated _____ for \$ _____ covering instructions via (Fedwire # _____, CHIPS # _____, S.W.I.F.T. # _____, or check # _____) dated _____ by order of _____ (We are treating the matter as an inquiry and are today, (date), seeking debit authorization from our customer. We shall advise you of its response.)

5. CONFIRMATION.

If the Receiving Bank determines to take the action requested by the Indemnity, it shall attempt to procure confirmation of its action from the party whose account was debited. The Receiving Bank shall notify such party as follows:

On (date), we debited your account # _____ for \$ _____ in reversal of a credit entry dated _____, our Ref. No. _____, customer Ref. No. _____ by the order of _____ for the order of _____. The paying bank notified us that it had incorrectly instructed us to credit your account. Please notify us that we have correctly debited your account.

6. RELEASE.

At the earlier occurrence of one of the following two events, the Paying Bank shall no longer be liable to the Receiving Bank (i) on the Indemnity or (ii) in connection with any matter, cause, or thing whatsoever related to or arising from such Indemnity, or related to or arising from any transactions, occurrences, or events to which such Indemnity relates: (a) the Receiving Bank has received debit authorization from its customer, or (b) the Receiving Bank, by a means set forth herein, notifies the Paying Bank that it releases the Paying Bank of its obligations and liabilities arising from and in connection with such Indemnity or any transactions, occurrences or events to which such Indemnity relates.

The Receiving Bank should notify the Paying Bank of the release of the indemnity as follows:

We hereby notify you that you have been released from all obligations and liabilities whatsoever arising from and in connection with your Indemnity or related to or arising from any transactions, occurrences or events to which such Indemnity relates, delivered by (S.W.I.F.T., telex, or letter) Ref. No. _____ dated _____ for \$ _____ covering instructions via (Fedwire # _____, CHIPS # _____, S.W.I.F.T. # _____, or check # _____) dated _____ by order of _____.)

An Indemnity may be released in an abbreviated format as follows:

We hereby notify you of the release of your Indemnity (Ref. No. _____) according to the Clearing House Interbank Payments System's Indemnity Responses.

Such statement will be deemed to incorporate the entire text of the release set forth above. Necessary identifying information, including means of transfer, date, and the source and date of instructions, should be included.

The Receiving Bank should transmit a notice of release of an Indemnity by telex, S.W.I.F.T., any other mutually agreed upon means of electronic transmission, or letter. It is recommended that such notice be sent by means of electronic transmission. If transmitted by telex, the telex must bear the sender's test key number. If transmitted by S.W.I.F.T. or any other means of electronic transmission, the transmission must be authenticated. If transmitted by letter, the letter must be executed by a signatory of the sender who has the authority to bind the bank in such matters and must be hand delivered to the receiver by an authorized messenger from the sender.

The receiver shall acknowledge receipt of such a letter. Such acknowledgment shall be considered proof that such letter was properly delivered by the sender to the receiver. If transmitted by letter, each notice must be enclosed in a readily identifiable envelope addressed to the Paying Bank clearly marked with the notation "Notice of Release of Indemnity."

7. RECALL OF FUNDS.

If the beneficiary whose account has been debited by the Receiving Bank pursuant to a request by a Paying Bank in the Indemnity requests the return of the amount so debited, the Paying Bank must, as the case may be, return, or reimburse the Receiving Bank for, such amount upon receipt of the following notice from the Receiving Bank:

Please (return to us or reimburse us) in the amount of \$ _____ which we refunded to you via (Fedwire # _____, CHIPS # _____, or _____) (or credited to the account of _____ pursuant to the Indemnity delivered by (S.W.I.F.T., telex, or letter) Ref. No. _____ dated _____ covering instructions via (Fedwire # _____, CHIPS # _____, S.W.I.F.T. # _____, or check # _____) dated _____)

_____ *by order of* _____ *because our customer has demanded a return of funds.*

The obligation of the Paying Bank to pay the Receiving Bank is independent of and is not affected by the Paying Bank's obligations under an indemnity issued to the Receiving Bank pursuant to this Appendix A.