

# PAYMENTS CANADA

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## PRD-001 - SETTLEMENT EXCHANGE TRANSACTION (SET)

Implemented: August 29, 2021

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## SETTLEMENT EXCHANGE TRANSACTION

1. The Settlement Exchange Transaction (SET) is an intra-day exchange of funds transaction whose purpose is to deal with the dislocation of settlement funds between the Automated Clearing and Settlement System (ACSS) and Lynx. The SET involves a Lynx Participant sending Lynx funds to another Lynx Participant in exchange for ACSS funds on the same Business Day.

## PARTICIPANTS

2. Settlement Exchange Transactions are traded between direct Lynx Participants who also hold ACSS settlement accounts.

## TRANSACTION TIME FRAME

3. Settlement Exchange Transactions are traded before the Lynx close of business at the end of Settlement Window 2.

## TRADING MEDIUM

4. It is recommended that SET trade details are agreed upon over taped telephone lines or other recorded means within the firms' standard trading procedure.

## MT 205 AND PACS.009 CORE

5. The SET counterparty with Lynx funds will initiate the transaction by sending an MT 205 with field 21 completed or a pacs.009 core with the "End to End Identification" element completed, as confirmation that the payment relates to a SET and reflects the terms thereof to the receiving Participant. (See example of a SWIFT MT 205 in Appendix I and details regarding a Lynx MX pacs.009 core in Appendix II). Failure to send an MT 205 or pacs.009 core will constitute a failure to meet the SET guidelines allowing the counterparty the option not to provide authorization to debit in ACSS.

## MT 299

6. Upon receipt of the Payment Message (MT 205 or pacs.009 core), the Receiving Lynx Participant shall send a SWIFT MT 299<sup>1</sup> to the Sending Lynx Participant confirming the SET, acknowledging receipt of the Lynx Payment Message and confirming the

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<sup>1</sup> As there is no MX equivalent to the MT 299 message, the MT messages will continue to be used during the Lynx MT/MX coexistence period. This applies in all instances where the MT 299 is referenced in this document.

authorization of the Sending Lynx Participant to enter an inter-member debit in the ACSS for that Business Day (An example of a SWIFT MT 299 is set out in Appendix III).

## ACSS DEBIT

7. An Inter-Member Debit (paper or electronic form) is to be used for the ACSS payment (pre-authorization given verbally when the SET is initially agreed to and confirmed through the MT 299). The Inter-Member Debit will settle in dedicated SET ACSS streams, RSET and NSET.

## SPLITTING OF SETS

8. The maximum dollar amount which can be MICR encoded on paper items for settlement in ACSS is \$99,999,999.99. Any SET in the amount of \$100 million or greater must be split into multiple debits to allow for proper MICR encoding. The maximum amount for each Inter-Member Debit is \$90 million. For example, a SET for \$350 million is split into 4 separate debits 3 x \$90 million and 1 x \$80 million.

## LOCATION OF SET STAMP

9. The Lynx Participant that creates the Inter-Member debit for the ACSS payment shall place a stamp with the word "SET" in the field that corresponds with field 21 (related reference/details) from the MT 205 or the "End To End Identification" element from the pacs.009 core. Additionally, in field 20 of the Inter-Member debit, the Participant must include the Lynx transaction reference number from the MT 205 or the "Instruction Identification" element from the pacs.009 core. This will ensure that the SET can be easily and consistently identified.

## SET CONFIRMATION

10. Lynx Participants may choose to rely on "post confirmation of the exchange" where time constraints warrant such an approach.

## INTEREST RATE

11. SETS are designed to be used as a liquidity management tool and not subject to interest rates or fees.

## APPENDIX I - EXAMPLE OF SET MT 205

Status	Tag	Field Name	Example
User Header	103:108	103 Service Code (CAD) 108 Tranche Designation (1 or 2 or blank)	SNDRCAT2 205RCVRCAT2 103:CAD 108:2
M	20	Transaction Reference Number	(sender's reference)
M	21	Related Reference	
M	32a	Value Date/Currency Code/Amount	211012CAD12000000,00
M	52a	Ordering Institution	SNDRCAT2
O	56a	Intermediary	
O	57a	Account With Institution	
M	58d	Beneficiary	/XXXXXXX* BANK NAME, CITY, PROVINCE, COUNTRY
O	72	Sender to Receiver Information	

M – Mandatory

O – Optional

\* a list of the standard settlement instructions is attached as Appendix IV

## APPENDIX II - DETAILS REGARDING SET PACS.009 CORE

The details regarding the construction of a pacs.009 core for a SET transaction must be constructed according to the Lynx ISO 20022 Message Specifications and can be found here: <https://www.payments.ca/lynx-technical-documentation>.

Note, the first three characters in the “End to End Identification” element of the pacs.009 core message must reflect “SET” to identify it as a part of the SET process.

## APPENDIX III - FORM OF SET CONFIRMATION AND AUTHORIZATION TO DEBIT

MT 299

20: \_\_\_\_\_ (SENDER'S REFERENCE)

21: \_\_\_\_\_ (INSERT FIELD 20: REF# FROM MT 205 OR "INSTRUCTION IDENTIFICATION" ELEMENT FROM PACS.009 CORE)

79: CONFIRMATION OF SET AND AUTHORIZATION TO DEBIT ACSS

VALUE DATE \_\_\_\_\_ CAD\$ \_\_\_\_\_(amount)

PCRN:

WE CONFIRM OUR AGREEMENT TO ENTER INTO A SETTLEMENT EXCHANGE TRANSACTION WITH Lynx Participant Name) AND CONFIRM THE RECEIPT OF THE ABOVE NOTED RTGS FUNDS. WE AUTHORIZE (Lynx Participant Name) TO ENTER AN INTER MEMBER DEBIT IN THE ACSS CLEARINGS ON TODAY'S DATE IN THE AMOUNT NOTED ABOVE.

FOR ANY FURTHER CORRESPONDENCE ON THIS MATTER, CONTACT:

NAME: TEL: \_\_\_\_\_ TITLE: \_\_\_\_\_

## APPENDIX IV - STANDARD SETTLEMENT INSTRUCTIONS FOR RECEIVING LYNX SET MT 205 OR PACS.009 CORE FUNDS AND DEBITING ACSS FUNDS

PARTICIPANT	MT 205 OR PACS.009 CORE ACCOUNT NUMBER	ACSS DEBIT ACCOUNT NUMBER
ATB Financial	715-1033611-24	07159:219-103361124
Bank of America (National Association)	<u>Overnight Investments</u> 65043888 <u>SETs</u> 30303994	56792 241
Bank of Montreal	0099341225	00991:001
Bank of Nova Scotia	N/A	52712:002
BNP Paribas (Canada)	N/A	00111:250:9903400022
The Fédération des caisses Desjardins du Québec	N/A	98000:815-000:003:4
Canadian Imperial Bank of Commerce	803014	09602:010-03-04042
Credit Union Central of Canada	N/A	809
HSBC Bank Canada	N/A	10930:016
Laurentian Bank of Canada	10816041-906	09061:039 499517-901
National Bank of Canada	09756228600100101 **send MT299 to BNDC CA MM INT**	ICOD 15041:006 FX-MM 1504:006-00:585:21
Royal Bank of Canada	36462006443	00762:003 - 7-digit account #
Toronto-Dominion Bank	0360 01 433 2254	00732:004