PAYMENTS CANADA

RTR Rule 8

Clearing, Settlement, Funding And Defunding

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IMPLEMENTED

August 24, 2026

AMENDMENTS

[TBD]

INTRODUCTION - SCOPE

This Rule outlines the procedures and Participant obligations related to the clearing and Settlement of RTR Payment Obligations in RTR Clearing and Settlement and the funding and defunding of Participant Settlement Accounts.

1. Sources of Settlement Instructions

Settlement Instructions may be:

a. submitted to RTR Clearing and Settlement by the RTR Exchange or a Third-Party Exchange; or

b. in the case of a Participant-to-Participant Transfer, generated by RTR Clearing and Settlement in accordance with section 13.

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ACCEPTANCE OF SETTLEMENT INSTRUCTIONS FROM PAYMENT EXCHANGE

2. Acceptance of Settlement Instructions from Payment Exchange

a. Settlement Instructions submitted by a Payment Exchange will be accepted by RTR Clearing and Settlement only if the requirements or conditions set out in sections 3 to 8 are met.

b. If any of the requirements for Settlement set out in this Rule are not met:

   i. the Association will have no obligation to effect Settlement; and

   ii. RTR Clearing and Settlement will send a notification to the Payment Exchange that the Settlement Instructions have been rejected and Settlement cannot occur.

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3. Duplicate Settlement Instructions and Errors

a. In accordance with subsection 34(b) of the *RTR By-law*, the Settlement Instructions must not be a duplicate of any other instructions and must not contain an error.

b. Settlement Instructions will be rejected by RTR Clearing and Settlement as a duplicate if it contains the same reference assigned by the Payment Exchange as any other instructions previously submitted to RTR Clearing and Settlement within the previous 90 calendar days.

c. An error referred to in subsection (a) refers to an occurrence of information in the Settlement Instructions that is not formatted in accordance with the requirements in RTR Clearing and Settlement system interface and message specifications.

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4. RTR Clearing and Settlement Value Limit

In accordance with subsection 34(c) of the *RTR By-law*, and subject to section 11 of this Rule, the amount of an RTR Payment Obligation contained in Settlement Instructions must not exceed the RTR Clearing and Settlement Value Limit of $100,000.

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5. Settlement Account Funding Requirements

Each Direct Settlement Participant is responsible for maintaining funds in its Settlement Account to ensure that it is able to clear and Settle:

a. its own RTR Payment Obligations;

b. those of the Member Non-Participant for whom it provides RTR Exchange payment services; and

c. those of its Indirect Settlement Participants for whom it acts as a Settlement Agent.

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6. Payment Capacity

In accordance with subsection 34(d) of the *RTR By-law*, the Payment Capacity in the Settlement Account of the Sending Participant must not be less than the amount necessary to clear and Settle the RTR Payment Obligation set out in the Settlement Instructions.

For clarity, where the Sending Participant is an Indirect Settlement Participant, the reference to Settlement Account is to be read as the Settlement Account of its Settlement Agent.

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7. ISP Net Position and Net Debit Cap

In accordance with subsection 34(e) of the *RTR By-law*, where the Sending Participant is an Indirect Settlement Participant, the Settlement of the RTR Payment Obligation contained in the Settlement Instructions must not cause the Indirect Settlement Participant's ISP Net Position to fall below the Net Debit Cap set by its Settlement Agent under section 22 below.

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8. Suspension or Direction Precluding Submission of Settlement Instruction

In accordance with subsection 34(f) of the *RTR By-law*, the Sending Participant, the Receiving Participant, or their respective Settlement Agents, if any, must not be subject to:

a. a suspension under any of sections 9 to 11, 17 or 18 of the *RTR By-law*; or

b. a direction by the President, under subsection 48(b) of the *RTR By-law*, not to:

   i. submit Settlement Instructions to RTR Clearing and Settlement; or

   ii. Submit directions to RTR Clearing and Settlement to effect Participant-to-Participant Transfers.

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PARTICIPANT-TO-PARTICIPANT TRANSFERS

9. Use of Participant-to-Participant Transfers

a. Participant-to-Participant Transfers may be executed at any time during the RTR Operating Cycle as a tool to manage Payment Capacity.

b. Participant-to-Participant Transfers may only be initiated and received by Direct Settlement Participants and as such, for the purposes of sections 10 to 14 of this Rule, a reference to Sending Participant or Receiving Participant is to be read as a reference to a Direct Settlement Participant.

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10. Direction to Effect Participant-to-Participant Transfers

a. A Sending Participant who seeks to effect a Participant-to-Participant Transfer may submit, with the agreement of the Receiving Participant, a direction via the

RTR Clearing and Settlement Portal, to effect the transfer of funds from its Settlement Account to the Receiving Participant's Settlement Account.

b. Settlement Instructions in respect of a direction made under subsection (a) will not be generated unless there is sufficient Payment Capacity in the Sending Participant's Settlement Account at the time the direction is submitted.

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11. No Value Limit

Participant-to-Participant Transfers are not subject to the RTR Clearing and Settlement Value Limit.

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12. Settlement Instructions

RTR Clearing and Settlement will generate Settlement Instructions for a Participant-to-Participant Transfer from a direction submitted by a Sending Participant under section 9 provided that the requirements set out in section 10 are met.

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13. Settlement of Participant-to-Participant Transfers

The RTR Payment Obligation in a Participant-to-Participant Transfer is Settled by transferring the amount of funds set out in the Settlement Instructions from the Payment Capacity in the Settlement Account of the Sending Participant to the Payment Capacity in the Settlement Account of the Receiving Participant in accordance with section 25 below.

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INTEREST COMPENSATION RELATED TO FAILURE, DELAY OR ERROR IN THE REPAYMENT OF AN RTR PARTICIPANT-TO-PARTICIPANT TRANSFER

14. Interest Compensation Claims

To address the event where a Direct Settlement Participant does not re-pay, as determined and agreed between the Participants, the funds originally transferred via a Participant-to-Participant Transfer in RTR Clearing and Settlement, the following procedures may be followed. The procedures set out in sections 15 to 18 are intended to assist Direct Settlement Participants in obtaining, through mutual agreement, reasonable settlement of interest compensation claims resulting from a failure, delay or error in the execution of the repayment of funds with respect to Participant-to-Participant Transfers.

These procedures are not intended to replace those terms that may already be agreed as part of the underlying mutual agreement for the business transaction supporting the Participant-to-Participant Transfer.

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15. Entitlement to Interest Compensation

In the event that a Receiving Participant breaches any terms or conditions of repayment mutually agreed upon by the Participants, a Sending Participant is entitled to and may claim interest compensation in the amount calculated in accordance with section 17.

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16. Obligation to Pay Interest Compensation

Where the Sending Participant makes a claim for interest compensation under section 15, the Receiving Participant must pay the interest compensation claimed.

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17. Calculation of Interest Compensation

Interest compensation referred to in sections 15 and 16 above must be calculated in the following manner:

a. The minimum interest rate must be the Bank Rate or such other rate as established by the Direct Settlement Participants involved in the Participant-to-Participant Transfer.

b. The interest shall be calculated and payable on a daily basis based on the following formula:

   A x B x C

   where:

   A is the notional value of the Participant-to-Participant Transfer;

   B is the rate referred to in paragraph (a); and

   C is either the number of hours/8760 or the number of calendar days/365 between the time and date of the Participant-to-Participant Transfer and the time and date of Settlement.

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18. Means of Interest Compensation Payment

a. The Sending Participant claiming interest compensation may request the Receiving Participant pay the amount of interest owed using a means, including but not limited to:

   i. a Participant-to-Participant Transfer; or

   ii. a payment sent through Lynx.

b. The Receiving Participant must make payment of interest owing to the Sending Participant in accordance with such means specified by the Sending Participant.

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FUNDING AND DEFUNDING OF SETTLEMENT ACCOUNTS

19. Funding

a. Each Direct Settlement Participant must fund its Settlement Account by sending a payment to the Bank through Lynx in accordance with the terms of its agreement with the Bank governing its Settlement Account, including such timing restrictions and operational procedures set out therein.

b. Upon receipt of direction from the Bank in RTR Clearing and Settlement Portal, the Association will credit the amount of the payment received under (a) to the Payment Capacity of the Direct Settlement Participant's Settlement Account.

c. Funding requests are not subject to the RTR Clearing and Settlement Value Limit.

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20. Defunding

a. Subject to the terms of its agreement with the Bank governing its Settlement Account, including such timing restrictions and operational procedures established therein, a Direct Settlement Participant may transfer funds out of its Payment Capacity in its Settlement Account by submitting a defunding request through the RTR Clearing and Settlement Portal to the Bank.

b. Upon receipt of direction from the Bank in the RTR Clearing and Settlement Portal, the Association will debit the amount of the defunding request received under (a) from the Payment Capacity of the Direct Settlement Participant's Settlement Account, provided there is sufficient Payment Capacity. Following execution of the defunding request, the Bank will send a payment to the Direct Settlement Participant through Lynx.

c. Defunding requests to effect the transfer of funds out of a Settlement Account are not subject to the RTR Clearing and Settlement Value Limit.

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NET DEBIT CAP AND ISP NET POSITION

21. Net Debit Cap & ISP Net Position

a. A Settlement Agent may set a Net Debit Cap for any Indirect Settlement Participant for which it acts.

b. The ISP Net Position of an Indirect Settlement Participant may be adjusted by the Indirect Settlement Participant's Settlement Agent, provided the ISP Net Position is not less than the Net Debit Cap.

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RESERVATION OF FUNDS

22. Reservation of Funds

a. In accordance with subsection 35(1) of the *RTR By-law*, immediately after RTR Clearing and Settlement accepts Settlement Instructions requiring the reservation of funds, the Association will reserve the amount of funds in the Sending Participant's Settlement Account that is equal to the amount necessary to clear and Settle the RTR Payment Obligation.

b. In accordance with subsection 35(2) of the *RTR By-law* and for the purpose of subsection (a) above, the Association will effect reservation by making an entry in the Settlement Account of the Sending Participant that reflects a reduction in its Payment Capacity and an increase in its Reserved Balance by an amount equal to the RTR Payment Obligation, provided that there is sufficient Payment Capacity to effect the reservation.

c. Where the Sending Participant referred to in subsection (a) and (b) is an Indirect Settlement Participant, the reservation of funds will be effected by the Association making the entry required under subsection (b) to the Settlement Account of its Settlement Agent provided that:

    i. there is sufficient Payment Capacity in the Settlement Agent's Settlement Account to make the entry; and

    ii. the Settlement of the RTR Payment Obligation would not result in the Indirect Settlement Participant's ISP Net Position falling below its Net Debit Cap.

    If reservation is effected under this subsection (c), such entry will also reflect a reduction in the Indirect Settlement Participant's ISP Net Position and an increase in the Settlement Agent's Reserved Balance, and a reduction in its Payment Capacity by an amount equal to the RTR Payment Obligation.

23. Notification of Reservation

In accordance with subsection 35(4) of the *RTR By-law*, upon effecting reservation under this section, or if it is determined that reservation cannot be effected, RTR Clearing and Settlement will send a notification, indicating whether or not funds have been reserved, to the Payment Exchange that submitted the Settlement Instructions.

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SETTLEMENT

24. Requirements for Settlement

In accordance with section 40 of the *RTR By-law*, the Association must Settle an RTR Payment Obligation set out in Settlement Instructions if such instructions were:

a. generated by the RTR Exchange and a direction to implement the Settlement Instructions was submitted to RTR Clearing and Settlement by the RTR Exchange in accordance with Rule 6 and section 37 of the *RTR By-law*;

b. generated by a Third-Party Exchange and

   i. the Settlement Instructions were accepted by RTR Clearing and Settlement under section 2; and

   ii. if the Settlement Instructions require a reservation of funds, the funds were reserved in accordance with section 23 and a direction to implement the instructions was submitted to RTR Clearing and Settlement by the Third-Party Exchange;

   or

c. generated by RTR Clearing and Settlement for a Participant-to-Participant Transfer in accordance with section 12 and

i. the amount of Payment Capacity in the Sending Participant's Settlement Account is not less than the amount necessary to clear and settle the RTR Payment Obligation set out in the Settlement Instructions; and

ii. neither the Sending Participant nor Receiving Participant is subject to a suspension under any of sections 9 to 11 of the *RTR By-law*, or to a direction under subsection 48(b) of the *RTR By-law*.

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25. Settlement Effected

a. Subject to subsection (b), if the requirements for Settlement set out above are met, the Association must Settle the RTR Payment Obligation in RTR Clearing and Settlement by transferring the amount of the RTR Payment Obligation from the Settlement Account of the Sending Participant to that of the Receiving Participant. The transfer will be effected by the Association in accordance with the following procedures:

i. where the Settlement Instructions required a reservation of funds, by making an entry in the respective Settlement Accounts of the Sending Participant and Receiving Participant that reflects a reduction in the Sending Participant's Reserved Balance and an increase in the Receiving Participant's Payment Capacity by an amount equal to the RTR Payment Obligation; or

ii. if the Settlement Instructions did not require funds to be reserved, by making an entry in the respective Settlement Accounts of the Sending Participant and Receiving Participant that reflects a reduction in the Sending Participant's Payment Capacity and an increase in the Receiving Participant's Payment Capacity by an amount equal to the RTR Payment Obligation.

b. Where there is a Settlement Agent acting for either or both of the Sending Participant or Receiving Participant referred to in subsection (a):

i. the Association must effect Settlement by making the account entries described in subsection (a) to the Settlement Account of the Settlement Agent;

ii. where the Settlement Instructions require a reservation of funds and the Receiving Participant is an Indirect Settlement Participant, the account entries made by the Association under paragraph (b)(i) to the Settlement Account of the Receiving Participant's Settlement Agent will result in a corresponding increase to the Participant's ISP Net Position to reflect the transfer of the amount of the RTR Payment Obligation; and

iii. where the Settlement Instructions do not require a reservation of funds, the account entries made by the Association under paragraph (b)(i) to the Settlement Account of a Settlement Agent will result in a corresponding increase to the ISP Net Position of the Indirect Settlement Participant to reflect the transfer of the amount of the RTR Payment Obligation.

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26. Notification of Settlement

a. If an RTR Payment Obligation that has Settled was set out in Settlement Instructions generated by the RTR Exchange, RTR Clearing and Settlement will send a notification to the RTR Exchange confirming Settlement.

b. In accordance with Rule 6, the RTR Exchange will subsequently send a Settlement Outcome Message to the Sending Participant and Receiving Participant indicating Settlement has occurred.

c. If an RTR Payment Obligation that has Settled was set out in Settlement Instructions submitted by a Third-Party Exchange, the RTR Clearing and Settlement will send a notification to such Third-Party Exchange confirming Settlement.

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27. Release of Reserved Funds

a. Where the Association is not required to Settle an RTR Payment Obligation, the Association must, in accordance with *RTR By-law* subsection 40(2), release back to the Sending Participant any funds that have been reserved under section 22 in respect of the RTR Payment Obligation by making an entry in the Settlement Account of the Sending Participant that reflects a reduction in its Reserved Balance and an increase in its Payment Capacity by an amount equal to the RTR Payment Obligation.

b. If the Sending Participant is an Indirect Settlement Participant:

    i. the Association must make the account entries described in subsection (a) to the Settlement Account of the Settlement Agent acting on behalf of the Indirect Settlement Participant; and

    ii. the Association will adjust the Indirect Settlement Participant's ISP Net Position to reflect an increase by an amount equal to the RTR Payment Obligation in respect of a reservation made under section 22.

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