



**PAYMENTS
CANADA**

LYNX RULE 1

INTERPRETATION

2024 CANADIAN PAYMENTS ASSOCIATION

This Rule is copyrighted by the Canadian Payments Association. All rights reserved, including the right of reproduction in whole or in part, without express written permission by the Canadian Payments Association.

Payments Canada is the operating brand name of the Canadian Payments Association (CPA). For legal purposes we continue to use "Canadian Payments Association" (or the Association) in these rules and in information related to rules, by-laws, and standards.

payments.ca

TABLE OF CONTENTS

IMPLEMENTED.....	3
AMENDMENTS.....	3
AUTHORITY.....	4
DEFINITIONS.....	4
INTER-PARTICIPANT PAYMENTS.....	14
REFERENCE TO TIME.....	14
EFFECTIVE DATE.....	14
REFERENCE MATERIAL.....	14
REVISIONS AND CORRECTIONS AND ERRORS.....	14
COMPLIANCE.....	14
LYNX AUDIT.....	14

IMPLEMENTED

August 29, 2021

AMENDMENTS

1. Updates to accommodate the introduction of Payment Messages in the Lynx MX Format. Approved by the Board June 23, 2022 and September 15, 2022, effective November 20, 2022.
2. Amendments to align terminology throughout Rule. Approved by the Board June 23, 2022 and September 15, 2022, effective November 20, 2022.
3. Amendments throughout rule to accommodate Swift name rebranding. Approved by the Board May 12, 2023, effective July 11, 2023.
4. Amendments to add terminology to accommodate Participant withdrawal due to an amalgamation. Approved by the Board November 3, 2023, effective December 4, 2023.
5. Amendment to the definition of President to provide greater alignment with the Canadian Payments Act. Approved by the Board December 7, 2023, effective February 5, 2024.

RULE 1 – INTERPRETATION

Authority

1. This Rule and all other Rules (which include Technical Specifications and Procedures documents (TSP)) in the Lynx Rule Manual are made pursuant to the *Canadian Payments Act*, RSC 1985, c. C-21 (the “Act” or “CP Act”) and must be read in accordance with the Act, *Canadian Payments Association By-law No. 9 – Lynx* (the “Lynx By-law”), and other applicable by-laws made pursuant to the Act. Nothing in the Rules shall affect or be interpreted to affect the rights or liabilities of any party to any Payment Item, except as expressly provided.

Definitions

2. Except as otherwise provided in a Rule or other document (e.g. Service Level Description), the following definitions apply in this Rule and all other Lynx Rules, and all Association documents referenced in such Rules. For clarity, the defined terms in rule sets applicable to other Association systems will not apply unless indicated in these Lynx Rules:

“**ACSS**” means the Automated Clearing Settlement System;

“**Amalgamated Member**” means the legal entity and Member of the Association resulting from an amalgamation between two or more Participants;

“**Amalgamation Transition Period**” means the optional transition period following the amalgamation of two or more Participants, during which the Amalgamated Member may participate in Lynx as the Continuing Participant and the Withdrawing Participant(s);

“**Apportion**” means the use by a Participant of a portion of its Credit Limit, resulting in a draw on its Intraday Loan and a corresponding debit to its Intraday Loan Account, for the funding of a Lynx Account for a Settlement Mechanism. “Apportioned”, “Apportioning”, and “Apportionment” have a corresponding meaning;

“**Association**” means the Canadian Payments Association;

“**Available Credit Limit**” means the value that is available to the Participant to Apportion to a Settlement Mechanism. It is calculated as the Credit Limit less the Intraday Loan Account balance. Available Credit Limit is referred to as “Total Collateral Available” in technical documents and within the Lynx Web Client;

“**Bank**” as defined in section 1 of the Lynx By-Law, means the Bank of Canada

“**Bank Rate**” means the minimum interest rate that the Bank is prepared to charge in respect of advances, as made public in accordance with the Bank of Canada Act;

“**Board**” means the board of directors of the Association;

RULE 1 – INTERPRETATION

“Branch of Account” means, in relation to a Payment Message, the branch or office of the Receiving Participant where the amount of the Payment Message is to be made available to the Payee;

“Business Day” means a calendar day designated in Rule 2 that, in accordance with the Lynx By-law, Lynx is to be operational;

“Cash Management Committee” or **“CMC”** means a representative group of cash managers or relevant equivalents whose duties are focused on cash, liquidity and Collateral management topics;

“CDS” means CDS Clearing and Depository Services Inc, a corporation incorporated under the *Canada Business Corporation Act*;

“CDSX” means the clearing and settlement system operated by CDS or any successor to that system;

“CDSX Payment Exchange” means that period of time during the day (normally between 16:00 hours and 17:00 hours) when Participants in CDSX make and receive payments through Lynx to and from the Bank for the account of CDS to settle net payment obligations in the CDSX;

“CLS or CLS Group” means the owner and operator of CLS Settlement and CLS Now, which provides settlement for foreign exchange transactions;

“Continuing Participant” means the sole Participant designated by the amalgamating Participants to continue to participate in Lynx following the later of the date of amalgamation or the expiration of the Amalgamation Transition Period, if applicable;

“CPA Service Desk” means the Association team providing first line support to the Participants and the Association, on a twenty-four (24) hour, seven (7) days a week basis, concerning the operation and performance of Lynx;

“CPA Services Network” or **“CSN”** means the managed network by the Association that is used by Participants to access Lynx, and which may be used to transmit proprietary files on a bilateral basis, as agreed to by both parties;

“Collateral” as defined in section 1 of the Lynx By-law, means a form of collateral that is identified by the Bank in written communications with members as an acceptable form of security for funds loaned or advanced to the member by the Bank;

RULE 1 – INTERPRETATION

“**Conditional Release Mechanism**” or “**CRM**” as defined in section 1 of the Lynx By-law, means a mechanism in Lynx in which Settlement Instructions are temporarily held before being sent to a Settlement Mechanism or being rejected;

“**Credit Limit**” means an amount provided by the Bank, equal to the value of Collateral Pledged and allocated by a Participant for Lynx purposes;

“**Data Centre**” means the physical location(s) where the Lynx hardware, software and network connections reside;

“**Distinguished Name**” or “**DN**” means the identification of an entity within the technical header of a Payment Message in the Lynx MX Format. The Distinguished Name must include a live Participant BIC and valid branch code (or ‘xxx’) in order to support the routing over Swift’s InterAct Service;

“**Entry**” as defined in section 1 of the Lynx By-law, means, in respect of an entry to a Lynx Account or an Intraday Loan Account, an entry in the books of the Bank;

“**Extended Remittance Information**” means all details provided within the Related Remittance Information Component and the Remittance Information Component in a Payment Message in the Lynx MX Format;

“**Finalization Window**” as defined in section 1 of the Lynx By-law, means the final window of the Payments Processing Cycle;

“**Financial Message Service Provider**” as defined in section 1 of the Lynx By-law, means a person who, or an entity that, provides an electronic message service that allows Members to exchange financial information, but the person or entity does not include the Association or a Member. Since Swift is the Financial Message Service Provider for Lynx, throughout these Rules, unless the Rule or the context otherwise requires, a reference to Swift is understood to be a reference to the Financial Message Service Provider;

“**Financial Risk Group**” or “**FRG**” means a representative group of high value and retail expertise, as well as risk, operations and cash management whose duties are focused on the design of the financial risk model and Settlement Mechanisms;

“**HABS**” means the Bank’s High Availability Banking System;

“**Intraday Liquidity**” means the sum of a Participant’s Lynx Accounts that, at a point in time, is available to that Participant, for the Settlement of Lynx Payment Obligations, or for transfer amongst a Participant’s Lynx Accounts or from its Lynx Account(s) to

RULE 1 – INTERPRETATION

its Intraday Loan Account;

Note 1: Each transfer of Intraday Liquidity by a Participant is given effect by the Association making the corresponding debit and credit Entries to the applicable Lynx Account(s) or Intraday Loan Account of the Participant.

Note 2: Within the Lynx Rules, where reference is made to Intraday Liquidity within a Settlement Mechanism or Liquidity Optimizing Mechanism, it should be interpreted to mean funds within the associated Lynx Account.

“Intraday loan” as defined in section 1 of the Lynx By-law, means loan made by the Bank to a Participant in accordance with the Lynx By-law;

“Intraday Loan Account” as defined in section 1 of the Lynx By-law, means an account on the books of the Bank that a Participant has in Lynx and to which the Association makes Entries respecting the making and repayment of the Participant’s Intraday Loan;

“ISO 20022” means the standard that describes the agreed methodology used by the financial industry to create consistent message standards. ISO 20022 uses a modelling methodology to capture financial business areas, business transactions, and associated message flows in a syntax-independent way;

“Liquidity Optimising Mechanism” or **“LOM”** means a type of Settlement Mechanism used to Settle Lynx Payment Obligations during Settlement Window 1. The Liquidity Savings Mechanism (LSM), Urgent Payment Mechanism (UPM) and Reserved Collateral Mechanism (RCM) are LOMs;

“Liquidity Savings Mechanism” or **“LSM”** means a LOM that Settles Lynx Payment Obligations immediately, if sufficient Intraday Liquidity is available within the LOM and where priority levels permit. Otherwise Settlement Instructions are added to the Settlement Queue and the Lynx Payment Obligation will be Settled when there is sufficient Intraday Liquidity within the LOM;

“Lynx” means the electronic funds transfer system, which includes the technology and the legal framework (e.g. Lynx By-Law, Rules including TSPs, and *Lynx Contingency Playbook*), owned and operated by the Association;

“Lynx Access Officer” means the Participant representative authorized to provide Lynx Authorized Personnel information requests or changes to the Association and to request, receive and manage security tokens and password resets;

RULE 1 – INTERPRETATION

“**Lynx Account**” as defined in section 1 of the Lynx By-law, means an account on the books of the Bank that a Participant has in Lynx and to which the Association makes Entries respecting the Settlement of Lynx Payment Obligations and transfers of funds to and from the account;

“**Lynx Administrator**” means the user type within Lynx responsible for assigning privileges to Lynx Users within each Participant (see also Lynx Security Officer, Lynx User and Lynx Authorized Personnel);

“**Lynx Authorized Personnel**” means the individual that has been assigned a user type (i.e. Lynx Administrator, Lynx User or Lynx Security Officer) and is authorized by the Participant to access Lynx on its behalf;

“**Lynx Emergency Committee**” is comprised of representatives from the Association, the Bank, the Cash Management Committee representative from each Participant, and representative(s) from Canadian financial market infrastructures (e.g. CDS), as appropriate;

“**Lynx Emergency Procedures**”, as outlined in Rule 12, *TSP-002* and the *Lynx Contingency Playbook*, are procedures developed by the Association for use in the event that an emergency situation in connection with the operation of Lynx arises, and are required to ensure the continued clearing and settlement of payments under the Lynx Rules;

“**Lynx MT Closed User Group**” or “**MT Message User Group**” means the Swift FIN Copy closed user group being a subset of Swift users made up of the Participants and the Association;

“**Lynx MX Closed User Group**” or “**MX Message User Group**” means the SwiftNet Copy closed user group being a subset of Swift users made up of the Participants and the Association;

“**Lynx MX Format**” means an XML message as defined by the Association within the Lynx ISO 20022 Message Specifications for use on the Swift InterAct Service. Lynx MX Format is based on the ISO 20022 standard. Lynx MX Format may also be referred to as “Lynx ISO 20022 Message” or “MX Message”;

“**Lynx Operating Schedule**” as defined in section 1 of the Lynx By-law, means the schedule of Lynx operations that is set out in the rules;

RULE 1 – INTERPRETATION

“**Lynx Payment Obligation**” as defined in section 1 of the Lynx By-law, means the obligation of a Sending Participant to pay a fixed amount to a Receiving Participant through Lynx;

“**Lynx Security Officer**” is a user type within Lynx responsible for assigning privileges to Lynx Administrators within each Participant (see also Lynx Administrator, Lynx User and Lynx Authorized Personnel);

“**Lynx User**” is the user type within Lynx whom the Participant has authorized to access Lynx on its behalf (see also Lynx Security Officer, Lynx Administrator and Lynx Authorized Personnel);

“**Lynx Web Client**” means the graphical user interface through which Lynx Authorized Personnel login, access, and utilize all Lynx functions available to them from their Participant Workstations;

“**Lynx Working Group**” or “**LWG**” means a representative user group of Participants whose duties are focused on the execution of the day-to-day operations of the payments cleared and Settled via Lynx;

“**Malicious Content**” means a deceptive or malicious URL that may cause harm to the Payee, a Participant, Payments Canada or any Payments Canada Member that transmits, receives or processes the URL;

“**Member**” means a member of the Association;

“**Minimum Liquidity Requirement**” or “**MLR**” means the minimum amount of funds that a Participant, with the exception of the Bank, must Apportion to a Settlement Mechanism in order to be eligible to settle Lynx Payment Obligations within that Settlement Mechanism. The Minimum Liquidity Requirement is referred to as “**Minimum Start of Day (SOD)**” in technical documents and within the Lynx Web Client;

“**MT Format**” means a non-XML message type as defined by Swift for use on the Swift FIN network;

“**Net Send Limit**” means a limit set by a Participant which is the net maximum value of payments a Participant is willing to send to another Participant. Net Send Limit is referred to as “**Bilateral Limit**” in technical documents and within the Lynx Web Client;

“**Non-Participant Member**” means a Member of the Association who has instructed a Participant to act on its behalf for the purpose of transferring funds through Lynx;

RULE 1 – INTERPRETATION

“Official Contact” means the person designated by a Member to be its representative for the purpose of receiving notice pursuant to these rules;

“Operating Band” means the interest rate range set by the Bank-for the overnight rate. The top of the band is the rate charged by the Bank on Lynx Overnight Advances. The bottom of the band is the rate paid by the Bank on any Lynx balances held overnight;

“Overnight Advance” as defined in section 1 of the Lynx By-law, means a loan, having a term of one Business Day, that is on the books of the Bank and made by the Bank to a Participant for the purpose of enabling the Participant to repay their Intraday Loan;

“Participant” as defined in section 1 of the Lynx By-law, means a Member who is approved to participate in Lynx in accordance with the Lynx by-law;

“Participant Workstation” means the computing device that meets the minimum requirements set out in the Lynx Service Level Description and is used by a Lynx Authorized Personnel to access Lynx over the CSN. The Participant Workstation provides the facility for queries, commands and responses for Lynx;

“Payee” as defined in section 1 of the Lynx By-law, means the person, including a Receiving Participant, to whom the amount specified in a Payment Message is to be paid or credited, whether or not that person is the ultimate beneficiary of the amount;

“Payment Confirmation Reference Number” or **“PCRN”** as defined in section 1 of the Lynx By-law, means the alpha-numeric confirmation number that is generated by Lynx to identify a Lynx Payment Obligation that has been Settled through Lynx;

“Payment Message” as defined in section 1 of the Lynx By-law, means an electronic message that contains Settlement Instructions and the information necessary for the Receiving Participant to make the amount of the payment finally and irrevocably available to the Payee;

“Payment Processing Centre(s)” means the Participant’s physical location(s) where Payment Messages are processed or handled including the contingency or back-up processing centre;

“Payments Processing Cycle” as defined in section 1 of the Lynx By-law, means the portion of the Lynx Operating Schedule during which Lynx Payment Obligations may be Settled through Lynx, including the Finalization Window;

“Pledge” as defined in section 1 of the Lynx By-law, means a grant to the Bank of security in collateral for funds loaned or advanced by the Bank, and it includes the

RULE 1 – INTERPRETATION

grant of security in which the Bank does not take possession of the collateral. For clarity, to “Pledge”, “Pledged”, and “Pledging” have corresponding meanings;

“**President**” means the President of the Association;

“**Real-Time Settlement Mechanism**” or “**RTM**” means a type of Settlement Mechanism that is used to make and repay Intraday Loans and make Overnight Advances, as defined in the Lynx By-law, and that is used, to set aside excess Intraday Liquidity during Settlement Window 1 and to Settle Lynx Payment Obligations during Settlement Window 2;

“**Receiving Participant**” as defined in section 1 of the Lynx By-law, means a Participant that receives a Payment Message from another Participant;

“**Related Remittance Information Component**” means any detail provided in the “related remittance information” element within a Payment Message in the Lynx MX Format (including any of their respective sub-elements) as defined in the Lynx ISO 20022 Message Specifications;

“**Remittance Information Component**” means any detail provided in the “unstructured” element or “structured” element within the “remittance information” element (and sub-elements) as defined in the Lynx ISO 20022 Message Specifications;

“**Reserved Collateral**” means Collateral which is in the form of securities Pledged to the Bank out of an account in CDSX for the sole purpose of collateralizing Reserved Collateral Payment Messages;

“**Reserved Collateral Mechanism**” or “**RCM**” as defined in section 1 of the Lynx By-law, means the Settlement Mechanism that is used only to Settle Lynx Payment Obligations between the Bank and a Participant and for which the Payee is CDS;

“**Reserved Collateral Payment Message**” means a Payment Message sent to the Bank which is designated by the Participant to be collateralized by Reserved Collateral for the purpose of making a payment to CDS during the CDSX Payment Exchange and otherwise in accordance with the agreements between the Participant and the Bank;

“**RTGS**” means Real-Time Gross Settlement. The real-time settlement of payments, transfer instructions or other obligations individually on a transaction-by-transaction basis;

“**Sending Participant**” as defined in section 1 of the Lynx By-law, means a Participant that sends a Payment Message to another Participant;

RULE 1 – INTERPRETATION

“**Senior Operational Committee**” or “SOC” is comprised of representatives from the Association, the Bank and Participants whose duties are focused on the day-to-day operations of the clearing and settlement core payment systems (e.g., Lynx);

“**Settlement**” means the settlement, as between a Sending Participant and Receiving Participant, of the amount of a Lynx Payment Obligation by means of Entries by the Association to the Participants’ Lynx Accounts. “Settle” and “Settled” have corresponding meanings;

“**Settlement Instructions**” as defined in section 1 of the Lynx By-law, means information that is contained in a Payment Message and that sets out a Lynx Payment Obligation and the details necessary for it to be Settled through Lynx;

“**Settlement Mechanism**” as defined in section 1 of the Lynx By-law, means a mechanism in Lynx that is used to Settle Lynx Payment Obligations;

“**Settlement Queue**” means the feature in certain Settlement Mechanisms by which Settlement Instructions containing a Lynx Payment Obligation that have been sent for Settlement in the Settlement Mechanism but not yet Settled may be stored in the order and sequence determined by these Rules;

“**Settlement Window 1**” means the main Settlement window for Lynx Payments Messages;

“**Settlement Window 2**” means the secondary Settlement window for Lynx which contains the pre-finalization event;

“**Severity 1 Incident**” means a Participant’s Lynx services are affected in such a way that processing is severely degraded for more than five (5) minutes such that the Participant is unable to send or receive payment messages or the settlement of other designated Financial Market Infrastructures (FMIs) is inhibited-or Lynx is impacted;

“**Severity 2 Incident**” means an unplanned interruption or a reduction in the quality of the Participant’s Lynx services lasting more than five (5) minutes and which prevents a Participant from sending or receiving Payment Messages at a normal capacity (e.g., a Participant may be able to continue to process some payments by way of a workaround either manually or by automated means);

“**Swift**” means the Society for Worldwide Interbank Financial Telecommunication, the entity with whom the Association has arranged to act as the Financial Message Service Provider for Lynx;

RULE 1 – INTERPRETATION

“Swift Computer-Based Terminal” or “Swift CBT” means the hardware and software which provides the protocol, messaging and security interfaces to the Swift Network;

“Swift Business Identifier Code” or “Swift BIC” means the 8 or 11 character identification code used to identify a specific bank for addressing Payment Messages;

“Swift FIN Copy” means the Swift FIN service which is to be used in Y-Copy mode whereby specific Swift formatted Payment Messages exchanged within the Lynx MT Closed User Group are copied to Lynx and whose delivery to their destination is subject to prior authorization by Lynx;

“SwiftNet” means the Swift, advanced IP-based messaging platform. SwiftNet comprises services and products that enable customers to communicate mission critical financial information and transactional data securely and reliably;

“SwiftNet Copy” means the SwiftNet service which is used in Y-Copy mode whereby specific Payment Messages exchanged within the Lynx MX Closed User Group are copied to Lynx and whose delivery to their destination is subject to prior authorization by Lynx;

“Target Rate” means the overnight rate, as determined and set by the Bank, at which Lynx Participants borrow and lend one-day (or “overnight”) funds among themselves;

“Technical Specifications and Procedures” or “TSP” means a document that sets out additional requirements related to the Lynx Rules;

“Urgent Payment Mechanism” or “UPM” means a LOM that Settles Lynx Payment Obligations immediately if sufficient Intraday Liquidity is available within the LOM or adds the associated Settlement Instructions to the Settlement Queue if sufficient Intraday Liquidity is not within the LOM;

“Withdrawing Participant” means all amalgamating Participants in an amalgamation, other than the Participant designated as the Continuing Participant. The Withdrawing Participant(s) may only participate in Lynx on behalf of the Amalgamated Member during the Amalgamation Transition Period if applicable.

RULE 1 – INTERPRETATION

Inter-Participant Payments

3. For further certainty and as reflected in the Lynx By-law and these rules, Lynx supports the clearing and settlement of payments between Lynx Participants rather than the making of payments within one Participant or between customers of one Participant (“on-us wire payments”). On-us wire payments are not Payment Items eligible for clearing or settlement through Lynx.

Reference To Time

4. Where in the Lynx Rules reference is made to the time of day, such time is “Eastern Time” unless otherwise specifically stated.

Effective Date

5. Subject to disallowance by the Minister of Finance, a new Rule or TSP, or Rule or TSP amendment will come into force sixty (60) days following Board approval or on a day otherwise selected in consultation with SOC and specified by the Board.

Reference Material

6. Notwithstanding the general requirement in Rule 1, section 4, the President, in consultation with SOC, may update and otherwise amend tables and other reference material contained in the Rules, and such amendments will come into force as specified by the President.

Revisions and Corrections and Errors

7. The President may alter the numbering, arrangement and format of any Rule; make such alterations in punctuation or translation as are requisite to obtain a uniform mode of expression in any Rule; and make such amendments as are necessary to correct clerical, grammatical or typographical errors in any Rule. Such alterations and amendments will come into force as specified by the President.

Compliance

8. All matters relating to compliance will be dealt with by the Association and in accordance with the procedures outlined in *Canadian Payments Association By-law No. 6 – Compliance* as appropriate.

Lynx Audit

9. The Association will provide Participants with a copy of its annual external audit report that will include audit scope and results of testing of key controls in place for operating Lynx.