TSP-003

LYNX SYSTEM PARAMETERS

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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, effective November 20, 2022.

2. Amendments throughout rule to accommodate Swift name rebranding. Approved by the Board May 12, 2023, effective July 11, 2023.

INTRODUCTION

1. To support the efficient operation of Lynx, there are a number of system parameters that have been defined. These parameters primarily relate to the configuration of the settlement mechanisms for Lynx. They have been defined in consultation with Lynx Participants and if changes are required, proposals will be made to the Financial Risk Group (FRG) and the Senior Operational Committee (SOC) for consideration and feedback prior to implementing any changes. Members will be provided with a revised copy of the document 30 days in advance of any change taking effect, unless the change must come into effect sooner, in which case a revised version will be shared as soon as possible.

SETTLEMENT MECHANISMS

2.1 Real-Time Settlement Mechanism (RTM)

There are limited configuration parameters in place for the operation of the RTM. In the RTM, payments are processed in first-in-first-out (FIFO) order and there is no queuing in place. Payments will be rejected if there is insufficient liquidity.

2.2 Liquidity Optimization Mechanisms (LOMs)

The following definitions represent current parameters defined for the configuration of the LOMs:

Parameter	Description	UPM	LSM	RCM
LOM agreement number	The number that is used to uniquely identify the LOM agreement and this is the number/letter that would be included in the Swift message.	001 Tag 108/LocalInstrument[1]: 1	002 Tag 108/LocalInstrument: 2	003 Tag 108/LocalInstrument: R
Description	Description of the purpose of the LOM.	Urgent Payment Mechanism	Liquidity Saving Mechanism	Reserved Collateral Mechanism

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[1] Tag 108 is used for Payment Messages in the MT Format and LocalInstrument is used for Payment Messages in the Lynx MX Format.

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Parameter	Description	UPM	LSM	RCM
Short Name	A unique short name for the agreement (12 characters or fewer).	UPM	LSM	RCM
Currency agreement	For Lynx the currency agreement will always default to CAD since CAD is the domestic and only registered currency to be configured for Lynx.	CAD	CAD	CAD
Single Settlement Instructions	Allows single Settlement Instructions	YES	YES	YES
Gridlock buster interval	The interval in which the gridlock buster is kicked off after a change to the queue. This is defined between 5 and 60 minutes.	N/A	5 minutes	N/A
Settlement sequence	This is the settlement sequence for settling queued Settlement Instructions. · FIFO (first-in-first-out) · FIFO By-Pass	FIFO	FIFO By-pass	FIFO
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Parameter	Description	UPM	LSM	RCM
	· FIFO By-Pass			
Priorities[2]	This is a list of priorities that can be selected. The default priority (99) will be assigned to any Payment Message sent via Swift.	99	01, 03, 05, 99	99
Net Send (Bilateral) limits apply on LOM	Choose if the Net Send (bilateral) limits functionality can be used for the LOM.	NO	YES	NO
Stop pay/receive	If this parameter has been selected, the Stop receive/pay functions will apply to all single Settlement Instructions submitted on the LOM.	YES	YES	YES
RTM liquidity at cut off	Determines whether RTM liquidity can be used at cut-off for each LOM. This is only applicable to the LSM as it is the only LOM with Gridlock Buster.	N/A	YES	N/A
Manage queued Settlement Instructions	Participants can perform the following functions on the LOM: ● Remove Settlement Instructions that are queued or diarised	YES	YES	YES

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[2] Lynx ensures that payments settle in the order of their priority by ensuring there are no queued payments of a higher priority prior to settling each payment. Lynx also ensures that payments are released from the CRM in the order of their priority. The highest possible priority is priority 1 and the lowest priority level is 99 (default priority)

Parameter	Description	UPM	LSM	RCM
	• Place Settlement Instructions in the Conditional Release Mechanism (CRM) • Reprioritise queued LSM Settlement Instructions • Re-sequence Settlement Instructions, i.e. change the settlement sequence of Settlement Instructions within a settlement priority.			
Maximum queued duration (minutes)[1]	Two alerts are possible after Settlement Instructions reach a specified length of time in the queue. Can choose to set the first alert and not the second. Following the issuance of the Second Alert the Settlement Instructions will remain on the queue until either they (the associated Lynx Payment Obligation) Settle, are removed or are rejected.	N/A	First Alert: 0 mins Second Alert: 0 mins (this means notifications will not be issued)	N/A
Alerts - Exceeding queued Settlement Instructions %	Queued Settlement Instructions/ Queued Settlement Instructions + Settled Lynx Payment Obligations	0	0	0

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Parameter	Description	UPM	LSM	RCM
Alerts – Exceeding Settlement Inactivity Duration[1]	Total time of settlement inactivity in minutes	0	0	0
Alerts – Minimum Value % Settled by Gridlock Buster not met[1]	The % of the value of queued Settlement Instructions that had their associated Lynx Payment Obligations settled by the Gridlock Buster during each run. A threshold on the volume of Settlement Instructions in the queue can be set such that the alert is only generated if the queue volume is exceeded and the minimum value % is not achieved.	0	0	0

2.3 Minimum Liquidity Requirements (MLR)

Payments Canada has the ability to set the minimum amount of intraday Liquidity, per Settlement Mechanism, that each Participant must start the day with in order to be eligible to send and receive payments. Payments Canada will determine the minimum required liquidity for each Settlement Mechanism which can be zero to reflect where a particular Settlement Mechanism does not have an MLR. Initially, Payments Canada will only set an MLR on the LSM Settlement Mechanism. The RTM, UPM, and RCM MLR will be set to zero to indicate that these mechanisms do not require a minimum amount of Liquidity. The Minimum Liquidity Requirement is referred to as "Minimum Start of Day (SOD)" in technical documents and within the Lynx Web Client.

Parameter	RTM	UPM	LSM	RCM
MLR	0	0	See Section 2.3.1	0

2.3.1. MLR Quantification Methodology (LSM only)

The following table outlines the methodology that will be used to calculate the LSM MLR for Lynx Participants.

Component	Lynx Participants*
Basis	Prior 12 months of payments sent
Calculations	1% of average daily payment value
Update Frequency	Quarterly, updated 5 business days after quarter end
Rounding	Nearest tens of thousands

* For any new Participant in Lynx, MLR will be calculated based on forecasted activity levels until sufficient historical Lynx activity exists for that Participant.

The Association will follow the procedures below for quarterly MLR calculations:

1. On the second Business Day of each quarter (January, April, July, October), the Association will notify each Participant of their new MLR calculated amount which will be effective at the beginning of the Lynx Operating Schedule on the fifth Business Day of each quarter. The Association will use a predefined email distribution list to communicate with Participants.

2. Immediately preceding the start of each year, the Association will provide each Participant with a schedule of the quarterly recalculations of the MLR for that year.