



**RTP Rules Interpretation
No Fee Netting and Returned Funds
RTP Operating Rule II.D.2**

Issued January 6, 2020

Issue:

May a Participant that returns funds in response to a Request for Return of Funds, deduct a fee from the amount of funds available to be returned in order to cover the cost of the Participant's handling of the request for return?

Current Rules and Guidance:

Operating Rule II.D provides, "Participants in RTP are not permitted to reduce the principal amount of an RTP Payment as a means of collecting fees." The rule also provides that the prohibition on reducing the principal amount of a Payment does not restrict a Participant's ability to separately charge its Customers for RTP Payments.

Operating Rule II.I.3 requires Participants to "reasonably cooperate among themselves and with TCH in attempts to address and recover unauthorized and erroneous RTP Payments."

Operating Rule VII.C.1 provides, "A Receiving Participant must respond to a Request for Return of Funds with a Response to Request for Return of Funds, but a Receiving Participant shall be under no obligation to return funds related to an RTP Payment in response to a Sending Participant's Request for Return of Funds."

Interpretation:

A Participant that receives a Request for Return of Funds and elects to return funds, may not deduct a fee from the amount of funds available to be returned in order to cover the cost of the Participant's handling of the request for return. If a Participant determines to return funds, the amount available to be returned constitutes the principal amount of the Payment and deduction of a fee would violate the prohibition on deducting fees from principal.

While it may be argued that it would incent return of funds if Receiving Participants are permitted to be compensated for the cost of receiving debit authority from the Receiver and/or researching the circumstances of the Payment, TCH believes that fee netting is an opaque practice that is inconsistent with the design of the RTP System as a transparent and modern payment system. Moreover, Participants have a responsibility to reasonably cooperate in the return of erroneous and unauthorized payments and, thus, should not condition return of funds on the ability to collect fees. While TCH recognizes that there are costs to Receiving Participants in handling Requests for Return of Funds,

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Sending Participants also incur costs related to their handling of Sender claims that result in requests for return. As Requests for Return of Funds will stem from a range of circumstances, including Sender error and Receiver misconduct, TCH believes Sending and Receiving Participants should each bear their own costs with respect to handling Requests for Return of Funds.

TCH is aware that a Receiving Participant may elect to return funds related to a RTP Payment through other payment systems, such as wire, in which fees are routinely deducted from returned funds. To the extent TCH becomes aware that a Participant is returning funds via another system solely so that it can deduct a fee from principal, TCH may consider such conduct to be an intentional circumvention of the prohibition on fee netting and takes rules enforcement action against the Participant.