

DELIVERY ROADMAP

2021 UPDATE

payments.ca

OVERVIEW

The payment landscape continues to evolve at a rapid pace, but the fundamentals of what Canadians want have not changed. Canadians — consumers and businesses — want fast, frictionless and secure payment options. In response, traditional financial institutions and Canada’s vibrant paytech and fintech sector are innovating and collaborating on new and exciting ways to pay for goods and services with new products and offerings.

To meet the needs of Canadians, Payments Canada is modernizing Canada’s payment systems and the associated by-laws, rules and standards that enable financial transactions to occur efficiently and securely every day. Working with our financial institution members, regulators and stakeholder partners, we are transforming Canada’s payment platforms to ensure Canada remains globally competitive in today’s digital economy.

The **2021 Delivery Roadmap** captures our recent accomplishments and provides a view into the plans for the future for Canada’s payment systems.



**WE HAVE TO MAKE SURE
AS WE MARCH
RAPIDLY ALONG OUR
DIGITAL PATH, THAT WE
TAKE EVERYBODY
WITH US**

TRACEY BLACK
PRESIDENT AND CEO,
PAYMENTS CANADA



Lynx delivery marks a new era of payments

2021 was a monumental delivery year for modern payments in Canada.

On September 1, 2021, Payments Canada launched [Lynx](#), our country's new high-value payment system, in partnership with our members and regulators. Lynx replaced the Large Value Transfer System (LVTS), which served as Canada's high-value payment system for more than 20 years, and the transition to the new system was seamless. In late September, Payments Canada welcomed [Citi as a new participant on Lynx](#).

Canada's economic and financial welfare depends critically on payment systems that operate behind the scenes. It's essential that Canada has a modern and robust wholesale payment system, and so, after much preparation, I'm very pleased to see the arrival of Lynx. The launch of Lynx is an important step in making sure Canada's financial system remains secure, stable and efficient in today's rapidly evolving economy.

TIFF MACKLEM
BANK OF CANADA GOVERNOR



In 2021, Payments Canada developed [Lynx ISO 20022 message specifications](#). ISO 20022 is a global payment messaging standard that allows more data to flow with electronic payments. [Data-rich payments](#) will, among other things, enable the digitization of manual and paper-based processes related to invoicing and payment reconciliation.

We also supported Canadian financial institutions in their preparation for the second release of Lynx, which aligns with [SWIFT's ISO 20022 migration date](#) for cross-border payments. The second release of Lynx will launch in Q4 of 2022 and will support the end-to-end delivery of ISO 20022 messages.

Instant payments through Real-Time Rail

The introduction of Canada's new real-time payment system, the Real-Time Rail (RTR), is on the horizon. This new system will enable money to move from account to account any time of day or night, 365 days per year - it will be instant, always-on and guaranteed.

A small business owner who receives a real-time payment for goods ordered online can release the goods immediately as they know the funds have already been credited to their bank account. They can do this without any delay or concern that the payment might be reversed at a later time.

In 2021, Payments Canada selected [Interac as the exchange solution provider for the RTR](#). To enable the settlement of RTR payments in real-time, the exchange solution will interface with the clearing and settlement solution, which is being provided by [Mastercard's Vocalink](#).

We are targeting 2023 for Release One. Priorities in 2022 include a continuation of system construction, and the development of the RTR rules, standards,

and by-laws, the documents that form the legal framework for the RTR. In parallel to these priorities, we will also define our Release Two enhancement plan and begin the RTR product strategy.

RTR requirements and capabilities as described in the [Modernization Target State](#) have been prioritized and will be delivered over multiple releases. Our goal remains to deliver full RTR target state capabilities to support the needs of a broader set of participants on the system as Payments Canada membership is expanded through reforms to the Canadian Payments Act and implementation of the Retail Payment Activities Act (RPAA).

Cash flow is the lifeblood of a business. It's a source of emotional angst and confusion and often the cause of business failures. There are several ways to address cash flow gaps but as a payments industry, the one that we need to make possible for all business owners is real-time settlement. When settlement happens in "real time" as it is processed, business owners are not subjected to a waiting period and they get instant access to their hard-earned funds.

GRACE JUNG
HEAD OF INDUSTRY RELATIONS,
PAYMENTS AND OPERATIONS AT SQUARE



Advance the ACSS with new membership

In July of 2021, Payments Canada announced [initial approval to change Peoples Trust Company's member status](#) from indirect clearer to direct clearer in the Automated Clearing Settlement System (ACSS). This change in membership status (the first since the ACSS launched in 1984) resulted from our [2020 amendments to the ACSS rules and by-laws](#) that enable broader access. Broader access to our systems supports more competition in the payment industry, a key driver in modernizing Canada's payment systems.

Looking ahead, Payments Canada will work with our regulators, financial institution members and stakeholders to explore the future of retail batch payments. This work will deliver enhancements to batch payments in a manner that will leverage the investments in our Modernization program.



Unlock possibilities with payment data

We will continue to support our member financial institutions in meeting SWIFT ISO 20022 global requirements as well as building awareness amongst Canadian businesses of the benefits of data-rich payments. As countries around the world launch modern payment systems and adopt ISO 20022, we see how businesses, governments and financial institutions are initiating, receiving and reconciling electronic payments more efficiently. Payments Canada urges Canadians to take steps now to prepare for [more data travelling with payments](#) and the opportunities of ISO 20022 will bring to businesses.

To support the adoption of ISO 20022, Payments Canada introduced two services that allow subscribers to validate ISO 20022 messages: The Payment File Validation Service (PFVS), which tests and validates corporate-to-bank payment files; and the Message Validation Service (MVS), which tests and validates member-to-member messages.

Encourage a digital economy

The introduction of modern payment systems, which support data-rich payments, should accelerate the organic reduction of cheque use. Payments Canada will continue to seek opportunities to combine efforts with our partners and support a digital economy through awareness, education, advocacy and facilitation.

Pandemic has changed long-term payment preference to digital and contactless for 43% of Canadians.



Harness research to lead innovation

Payments Canada has long served as a point of connection and collaboration for the payments industry. We provide payments insights through [market research reports](#) that focus on point-in-time trends and behaviours, as well as annual research through our Canadian Payment Methods and Trends Report. Our [discussion papers](#) provide in-depth, technical research and analysis on topics of relevance to the Canadian and international payment ecosystems.

Combining more data travelling with every payment and real-time settlement will help introduce new ways to pay and get paid, for example, for [Canada's growing gig economy](#).





Legislative amendments to support modern payments

Broader access to Canada's payment systems by payment service providers (PSPs), and an expanded group of credit unions and financial market infrastructures, will enable greater efficiency, competition and innovation in the payment industry. Broader access will also support the introduction of new payment products and services for consumers and businesses.

The inclusion of the Retail Payments Activities Act (RPAA) was part of the [2021 federal budget](#), and its progression to receive royal assent in July 2021 was a positive step towards Payments Canada's ability to safely make Canada's payment systems accessible to non-financial institution payment service providers (PSPs). The RPAA represents the first comprehensive regulatory oversight framework for retail payment service providers in the Canadian market. Under the RPAA, the Bank of Canada is responsible for supervising payment service providers and the Department of Finance Canada is leading the development of regulations for this supervisory program, with support from the Bank of Canada.

Payments Canada will continue to engage with the Department of Finance and the Bank of Canada to support the implementation of RPAA. In addition, we will continue to support ecosystem engagement and assist PSPs to understand the value, rights and obligations of Payments Canada membership and system participation.

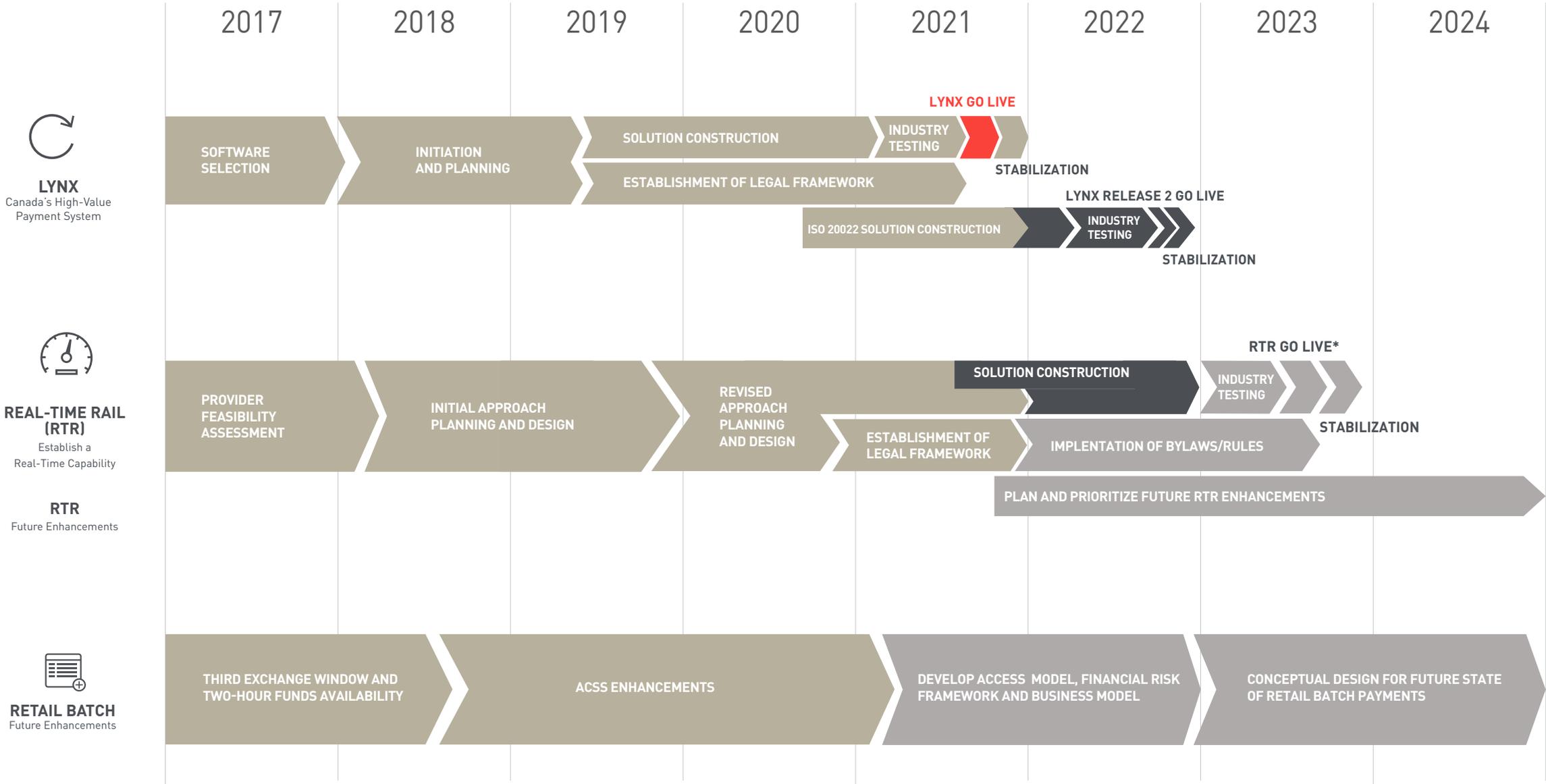
Payments Canada continues to prioritize reforms to the Canadian Payments Act (CP Act) that will enable broader, risk-based access to Canada's national payment clearing and settlement systems. Legislative reforms are the prerogative of the federal government and parliament. In 2022, Payments Canada will assist the Department of Finance to complete the needed analysis and ecosystem consultation to support changes to the CP Act along with Payments Canada by-laws to allow for broader, risk-based access to Canada's payment systems.

Everyone benefits from payments modernization! Real-time payments help consumers avoid hefty fees from overdraft and cheque cashing, while small businesses unlock working capital that would otherwise take days to access... The amendments to the Canadian Payments Act will expand membership and access to the payments system to Wise and Canadian payments technology companies, leading to better services, lower costs, and increased innovation.

NICK CATINO
HEAD OF POLICY AND CAMPAIGNS
(AMERICAS) AT WISE



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[Register for The SUMMIT](#), our annual event, taking place from April 26-28, 2022 in Toronto, Ontario.

About Payments Canada

Payments Canada is a public purpose organization that owns and operates Canada's payment systems, Lynx and the Automated Clearing Settlement System (ACSS). Payments Canada is responsible for the physical infrastructure and the associated bylaws, rules, and standards that support these systems. It also has a duty to promote the efficiency, safety, and soundness of Canada's payment systems while taking into account the interests of end users. In 2020, Payments Canada's systems cleared and settled over \$107 trillion—more than \$420 billion every business day. Transactions that pass through these systems include debit card payments, pre-authorized debits, direct deposits, bill payments, wire payments and cheques initiated and received by Canadians and Canadian businesses. Payments Canada is working closely with the payment ecosystem to modernize Canada's payment systems to ensure Canada and Canadian businesses remain globally competitive.

