

PAYMENTS CANADA

MEMBER ADVISORY COUNCIL

TERMS OF REFERENCE

1. MANDATE

The Member Advisory Council (the “Council”) is a standing committee of, and is accountable to, the Payments Canada Board of Directors (the “Board”).

The Council will provide counsel and advice to the Board on Payments Canada’s operation of clearing and settlement systems, the interaction of those systems with other systems involved in the exchange, clearing or settlement of payments and the development of new technologies [*Canadian Payments Act*, (the “CP Act”), s. 21.4(2)].

The Council will serve as a consultative and engagement forum for the membership of Payments Canada; it will provide payments knowledge and expertise and facilitate effective dialogue between the Council, the Board and Payments Canada Management.

2. DUTIES AND RESPONSIBILITIES

In pursuing its mandate the Council may, in particular, provide counsel and advice to the Board and Payments Canada Management in relation to:

- (i) **Payments Canada Strategic and Corporate Plans** – providing input on Payments Canada’s strategic direction and forward-looking priorities, including significant financial investments and implications for members and the industry;
- (ii) **Clearing and Settlement Matters** – bringing forward-looking clearing and settlement matters to the Board, providing a lens into member priorities and/or initiatives that will impact the Canadian payments ecosystem;
- (iii) **Risk Issues** – identifying and advising on significant and emerging risks to which Payments Canada members and/or Payments Canada clearing and settlement systems are exposed; and
- (iv) **Other** – any other matter referred by the Board or Payments Canada Management to the Council, as well as items of significant importance to the Council.

The Council will take a medium to long term view in formulating its advice.

The Council may create working groups to advance the development of advice and counsel to the Board on priorities in accordance with its mandate.

3. MEMBERSHIP

(a) Composition

The Council will have a maximum of twenty members “appointed by the Board” that are “broadly representative of the diversity of the membership of the CPA” [CP Act, s. 21.4(1) & (3)].

- (i) Appointments to the Council will include:
 - (1) A representative from each designated domestic systemically important bank (D-SIB); and
 - (2) A minimum of four persons broadly representative of the diversity of the membership of Payments Canada, including representation from: banks and authorized foreign banks that are not D-SIBs; centrals and cooperative credit associations; and other institutions eligible for membership (e.g. trust and loan companies, qualified corporations and trustees of qualified trusts, securities dealers and life insurance companies).
- (ii) A minimum of four persons appointed by the Board should be representatives of indirect participants and a minimum of two should be representatives of group clearers.
- (iii) If there are not sufficient nominations or qualified candidates for the categories listed in s. 3A (i) and (ii), the Board may appoint other candidates for those positions or have a smaller Council.

The Board may appoint up to two elected directors of the Board to the Council.

Council members must also meet the expertise and experience criteria set out in the Payments Canada’s Guideline on Member Advisory Council Nominee Qualifications.

A member institution may have representatives on each of the Board and the Council concurrently so long as the representatives are different individuals.

(b) Chairperson

The Council will elect one member to be Chairperson and another member to be Vice-Chairperson of the Council from their number on a majority basis for a term not to exceed two

years. The Council may re-elect individuals to these positions, but no Chairperson or Vice-Chairperson can serve for more than three consecutive terms.

The representatives of the Board are not eligible for the office of the Chairperson or Vice-Chairperson, nor are they eligible to vote in the election of the Chairperson or Vice-Chairperson.

The Chairperson will preside at all meetings of the Council and will perform any other duties that may be required to ensure the proper functioning of the Council. The Vice-Chairperson will act as Chairperson in the event of the absence or incapacity of the Chairperson or, if the office is vacant, until a new Chairperson is elected.

The Council Chairperson and Vice-Chairperson should possess the following qualifications:

- Demonstrated leadership;
- Good facilitation skills and ability to influence;
- Previous experience serving as a Chairperson or chairing meetings; and
- Willingness and ability to commit time.

(c) Duties of Advisory Council Members

In performing their duties, the members of the Council will provide payments knowledge and expertise on clearing and settlement matters; fairly represent the member interests that they were appointed to represent; and take into account the objects of Payments Canada in support of the broad interests of the overall payments system.

(d) Nominations

At least sixty days before the day on which Council members are to be appointed, Payments Canada will notify its membership of any vacancies on the Council and invite them to submit nominations for membership on the Council. The notice will set out the eligibility and skills requirements for membership on the Council and outline the nomination procedures and selection process.

There will be a nominating committee to identify and propose qualified candidates for appointment to the Council [i.e. the same Committee of the Board delegated with the responsibility for the nomination of directors]. The Chairperson of the Member Council may be invited to provide counsel and advice to the committee on the nominations.

When the nominating committee is identifying qualified candidates for the appointment of Council members, it will endeavor to identify candidates that are broadly representative of the diversity of the membership of Payments Canada and meet the expertise and experience criteria set out in the qualification guidelines for the Council.

Within thirty days after the day on which the Board appointed the required number of Council members, Payments Canada will notify the nominees of the appointments.

(e) Non-Member Attendance

The Payments Canada CEO or designated alternate will attend meetings in his/her capacity as CEO, not as a director of the Board. The Chairperson may, at his/her own discretion, invite non-Council members to attend all or part of any meeting.

While Council members are expected to attend all Council meetings, if a member is unable to attend a meeting, alternates may be permitted on an exception basis to attend upon approval of the Chairperson. Council members may not send an alternate to attend more than one third of Council meetings per year.

(f) Removal and Vacancies

- (i) On the recommendation of the Chairperson of the Council, the Board may remove any member of the Council if: (a) the member has been absent without just cause from three consecutive meetings of the Council; or (b) the member no longer meets the membership criteria for the Council as set out in the Act or in the By-law.
- (ii) A Council member ceases to be a member when: (a) the member's term expires; (b) the member is unable to act due to extended incapacity or illness; (c) the member is removed from office as set out above; (d) the member no longer represents the interests of the Payments Canada member he or she was appointed to represent; or (e) the member resigns, in which case the resignation is effective on the later of the day on which the resignation is given to the Board, and the day specified in the resignation.
- (iii) If a vacancy of a member occurs three months or more before the expiry of the member's term, the Payments Canada member whose interests that Council member represents may nominate a substitute representative for the remainder of the term. If less than three months of the term remains, the vacancy shall not be filled. If the member fails to nominate a substitute representative within sixty days, the Board may appoint a substitute Council member for the remainder of the term.
- (iv) If and whenever a vacancy exists on the Council, the remaining members may exercise all of its duties.

(g) Term

For the first Council, no more than seven members shall be appointed for a term of three years, no more than seven for a term of two years, and no more than seven for a term of one year, or the next applicable annual meeting. Subsequent terms shall be for a period of not more than

three years. Board directors who are members of the Council will be appointed for a term as determined by the Board.

4. MEETINGS

(a) Scheduling and Calling of Meetings

The Council will meet at least three times per year. Notice of the day, time and place of each meeting of the Council will be given at least seven days before the day scheduled for the meeting, unless eighty percent of the Council members, including the Chairperson, agree otherwise. The notice of meeting need not specify the purpose of the meeting. In addition, if any five members request in writing that the Chairperson of the Council call a meeting, the Chairperson shall notify the other members of the Council within twenty-one days after receiving the request to consider any matter specified in the request. Committee meetings may be held at any place in Canada.

(b) Conduct of Meetings

Council members will be alert to discussions that may raise competition law concerns and will not engage in discussions that are contrary to the *Competition Act*. If improper discussions arise, members should voice their concerns, and if necessary leave the meeting.

(c) Secretary

Payments Canada will provide secretariat support to the Council.

(d) Quorum

A quorum for any meeting will be a simple majority of council members calculated using the number of appointed council members (including any vacant positions).

(e) Voting

At all meetings of the Council, every question put to a vote will be decided by a majority of the votes cast on the question. The Board members who have been appointed to the Council are not entitled to vote on any issue. In the case of a tie, the Chairperson of the Council is entitled to a second vote. When an item that is put to a vote is disclosed to the Board, the views of each side should be presented.

(f) Reporting

Annually the Council will submit a work plan for the Board's approval and will prepare and submit a work plan report to the Board as soon as feasible after the end of each fiscal year.

Written submissions to the Payments Canada Board or any Payments Canada committee/working group may also be prepared by the Council as it deems appropriate. The Council Chairperson will be invited to make presentations to the Board on issues of interest (as mutually agreed between the Board and the Council) and to discuss written submissions at least twice a year.

(g) Responsibility for Costs

Subject to the Board's approval of the work plan, Payments Canada is responsible for any reasonable costs associated with holding meetings of the Council. Council members are responsible for their own costs incurred related to their participation on the Council.

(h) Review

Annually the Council will review these Terms of Reference to assess whether they accurately describe the duties and responsibilities of the Council and shall either confirm or recommend changes to the Terms of Reference to the Board.

REVISION HISTORY:

Approved: July 2015
Revised: December 3, 2015 and updated in June 2016 with new brand
February 23, 2017 no changes