



**PAYMENTS  
CANADA**

# MODERNIZATION DELIVERY ROADMAP

2018 UPDATE

[payments.ca](https://payments.ca)

# OVERVIEW

Payments Canada is leading an industry-wide initiative to modernize Canadian payments. Guiding the journey are the needs of all Canadians, including consumers, financial institutions, corporates, small businesses, start-ups, regulators, and governments. Those needs were identified through a detailed and collaborative process to develop the Vision for the Canadian Payments Ecosystem published in April 2016, followed up by an Industry Roadmap & High Level Plan for meeting those expectations through Modernization, published in December 2016, and the Modernization Target State published in December 2017 that provided a more detailed view of the program, including descriptions of modernized systems and their fundamental support structures.

As Payments Canada progresses along the journey, a series of business, technology and operational changes are being implemented. In advance of these changes, we continue to evolve and manage the appropriate risk, liability and compliance frameworks to fulfill our legislated public policy objectives. We are also focused on alignment of our delivery objectives with the risk appetite and readiness of our member financial institutions.



The Modernization Delivery Roadmap Update 2018 provides revised timelines that reflect a clearer understanding of the scale and complexity of foundational program elements, and the time required for payments ecosystem members, stakeholders and regulators to participate in the transformation journey. The updates reflect valuable input from the full range of industry stakeholders. Looking at the revised timeline included in this document, readers will see that it includes higher confidence dates and indicative/unconfirmed dates. The date ranges shown as indicative/unconfirmed dates are projected date ranges that Payments Canada will revisit and refine regularly, working in close collaboration with industry stakeholders. The timeline distinguishes higher confidence dates using a six-month planning horizon and provides wider ranges for future phases of the program, where more clarity will come as the milestones near.

## About Payments Canada

Payments Canada ensures that financial transactions in Canada are carried out safely and securely each day. The organization underpins the Canadian financial system and economy by owning and operating Canada's payment clearing and settlement infrastructure, including associated systems, bylaws, rules and standards. The value of payments cleared by Payments Canada's systems in 2017 was approximately \$50 trillion or \$200 billion every business day. These encompass a wide range of payments made by Canadians and businesses involving interbank transactions, including those made with debit cards, pre-authorized debits, direct deposits, bill payments, wire payments and cheques. Payments Canada is a proud supporter of the Catalyst Accord and The 30% Club.



# MODERNIZATION DELIVERY ROADMAP UPDATE

Payments Canada's Modernization program is a complex, multi-year initiative with far-reaching impacts on the entire Canadian financial services industry. Not only will the country's clearing and settlement systems be modernized, but also the systems and processes of our member financial institutions. All new and enhanced systems will be supported by a modernized rules framework and align with global regulatory best practices. Another important element is the implementation of ISO 20022, a global message standard as the foundation for payment messaging across all modernized payments systems.

Given the broad impacts of Modernization and the related commitment and investment required by payment system participants, Payments Canada is investing significantly in industry engagement, detailed planning, and robust risk management practices as integral components of the Modernization program.



## Key Updates

The Modernization Target State published in 2017 included ambitious timelines that Payments Canada committed to refining and updating as key milestones were achieved throughout the program. Following a number of successful achievements on the program to date – readers are encouraged to visit [payments.ca](https://payments.ca) News to learn more about milestone achievements – and ongoing consultation with members and key stakeholders, the Delivery Roadmap has been updated to reflect revised dates and activities, including:



### Lynx, a new High-Value Payments System

To manage risk and effectively deliver on Payments Canada's commitment to meet the highest international security, resiliency and operating standards for modern payments systems, the delivery roadmap for Lynx now includes the selection of a prime vendor. The prime vendor will support the end-to-end delivery and operations of Lynx, including oversight of [SIA](#), the [application provider for Lynx](#). Payments Canada expects the prime vendor procurement process to be complete in the first half of 2019. While the new system will be enabled with ISO 20022 messaging standard, the full end-to-end support of this new standard will follow in a subsequent release.



### Real-Time Rail

The first release (referred to as R1) of Canada's new real-time payments system is a foundational release that will deliver the real-time processing of transactions, real-time deposit and real-time availability of funds. R1 will include an enhanced risk model using collateral pledged through the Bank of Canada to support final and irrevocable real-time payments, which will lower settlement risk and support broadening access to new participants; an alias management capability that allows for the routing of payments using an email address or mobile phone number; the capability to carry additional payment information based on ISO 20022 message standards; and the availability of standardized APIs. In addition to routing using an alias, R1 will be architected to include functionality that enables account number based routing, which will be delivered as part of future releases.

Future releases of Canada's new real-time payments rail will build on this foundation, creating opportunities for innovation and competition in the Canadian marketplace.



### Retail Batch Payments

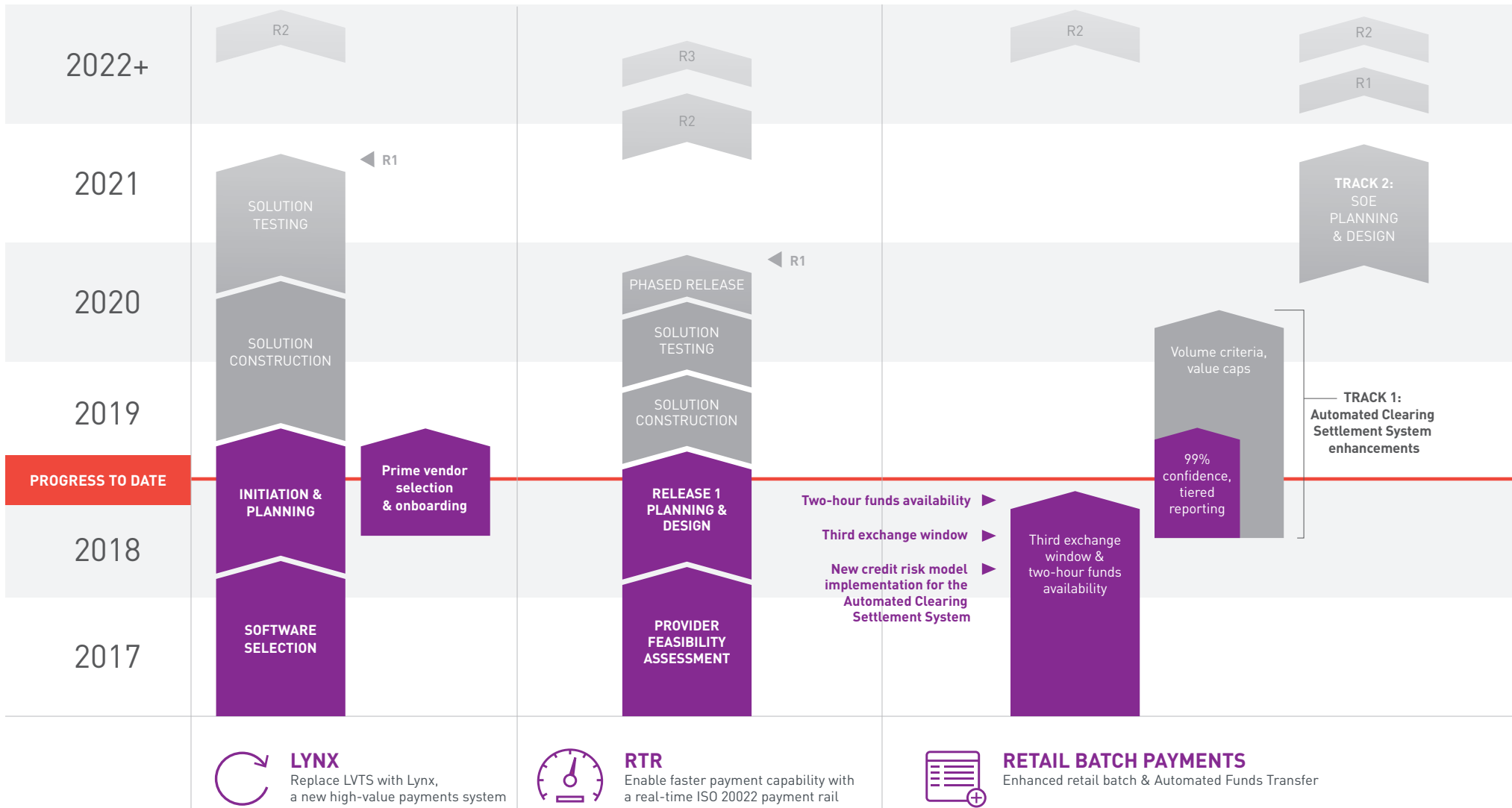
In 2018, modifications were implemented to the existing retail batch payments system, the Automated Clearing and Settlement System (ACSS), that allow Canadian businesses to move funds more frequently and make same day settlements. Benefits are most substantial for companies in Western Canada. In addition, ACSS was collateralized as part of the strategy to enhance the safety and soundness of the payments system.

The delivery date of an enhanced centralized retail batch system has been extended beyond the R1 launch of the Real-Time Rail (RTR) and Lynx. Focus has shifted to the delivery of regulatory enhancements that will reduce system risk including increasing collateral coverage and implementing value caps on individual transactions. To support broader access to the ACSS, among other things, the removal of the 0.5 per cent volume requirement is being proposed.



# MODERNIZATION MULTI-YEAR ROADMAP

Published December 2018.



**LYNX**  
Replace LVTS with Lynx, a new high-value payments system

**RTR**  
Enable faster payment capability with a real-time ISO 20022 payment rail

**RETAIL BATCH PAYMENTS**  
Enhanced retail batch & Automated Funds Transfer

## LEGEND

- R1 - Release 1 | R2 - Release 2 | R3 - Release 3
- Higher Confidence Dates
- SOE - a new centralized retail batch payments system
- Indicative / Unconfirmed Dates

**Note:** All new and enhanced systems will be supported by a modernized rules framework and align with global regulatory best practices. Another important element of Modernization is the implementation of ISO 20022, a global message standard as the foundation for payment messaging across all modernized payments systems.

# BENEFITS OF MODERNIZATION

Delivering a modern payments system impacts all Canadians - consumers, businesses, government and more - and, as such, Payments Canada has taken a broad lens when considering the benefits of the Modernization program.

Payments Canada sees five core benefits that will be delivered to Canadians.



## Faster and More Efficient

Transactions can be processed and cleared faster/in real-time; posting to accounts to provide faster access to funds.



## Richer Data

Adoption of the richer, more structured messaging standard (ISO 20022); data flows alongside payments.



## More Convenient

Payments initiation and receipt made easier through proxy identifiers and aliases; status notifications and confirmations provided.



## Interoperable

ISO standard allows payors to be "rail" agnostic (choosing the right speed/cost according to need); In addition, cross-border commerce becomes increasingly seamless due to common protocols.



## Greater Security, Risk Management & Privacy

Security with adaptability to emerging threats, next-generation privacy and risk management tools to provide the most secure payments experience possible.

Refer to the Modernization Target State for more about these core benefits, as well as a portfolio of use cases that illustrate potential real-life benefit scenarios.





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ISO 20022



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## **UNDERSTAND**

Vision

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Industry Roadmap

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Modernization Target  
State

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