

HIGH-VALUE
PAYMENTS,
DELIVERED

ANNUAL REPORT 2021

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#OURSTORIESIN2021

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ABOUT THIS REPORT

Welcome to Payments Canada's annual report, our public accountability publication that presents our financial and non-financial performance during the year. This report provides a view into who we are, how we work, our unique role in Canada's economy, and reflects upon our strategy, culture and business.

Payments Canada is a public purpose organization that owns and operates Canada's payment clearing and settlement infrastructure, including associated systems, by-laws, rules, and standards. We have a duty to promote the efficiency, safety, and soundness of Payments Canada's systems while taking into account the interests of users.

We hope you learn more about our organization and our successes and challenges in 2021. Explore payments.ca to understand our ongoing work, and follow us on [LinkedIn](#), [Twitter](#) and [Facebook](#). We also invite you to [subscribe](#) to our newsletter and event publications to keep up to date with Payments Canada throughout the year.

LAND ACKNOWLEDGEMENT

Payments Canada wishes to acknowledge the Indigenous Peoples of all the lands that we are on today. We affirm our commitment and responsibility to improving relationships between nations, as well as our understanding of local Indigenous peoples, their cultures and the importance of the land and nature where we all reside.

Our Ottawa office is located on the traditional and unceded territory of the Algonquin nation. Our Toronto office is located on the traditional territory of the Mississaugas of the Credit First Nation, the Haudenasaunee, the Huron-Wendat and home to many diverse Indigenous peoples.

MESSAGE FROM PAYMENTS CANADA'S BOARD OF DIRECTORS CHAIR GARRY FOSTER

My tenure as board chair began in the summer of 2021 and, while I've been on the Payments Canada Board for four years, it was a surreal experience to lead this group not from a boardroom, but from a virtual environment.

In my first six months as board chair, I was privileged to see the implementation of Lynx, Canada's new high-value payment system. What a tremendous accomplishment for Payments Canada and the Canadian ecosystem. It is just one of many more successes to come in the modernization of payments in Canada.

Throughout yet another year of a global pandemic, and with sound governance, risk and financial management in place, Payments Canada continued to operate our existing payment clearing and settlement systems and delivered on new initiatives that will bring faster, safer and more accessible payments to Canadians in the years to come.

While the Canadian and global economy continued to struggle from the impact of COVID-19, we did see positive indicators that the future looks brighter. According to [our research](#), while overall spending is down in Canada, e-commerce continued to rise. This bodes well for Payments Canada as we continue to prepare for the launch of a new faster payment system, the Real-Time Rail.

When reflecting on my first year as board chair, I was impressed with how Payments Canada facilitates the payment ecosystem. This is abundantly clear as we modernize current and introduce new payment systems. It took an ecosystem to launch Lynx, and it will take all of us – our regulators, members and stakeholders – working together to see the launch of the Real-Time Rail.

Thanks to Tracey Black for leading Payments Canada through yet another year of the pandemic. Throughout multiple office closures, reopenings and provincial and federal restrictions, Tracey kept our people engaged, informed and focused.

Thank you to the board, including Eileen Mercier, our previous chair, and Malcolm Knight, Lib Gibson and Mike Henry, who left the board in 2021. Eileen's six-year tenure as board chair began at the onset of our modernization initiative, and her contributions will continue to have a profound impact on all Canadians.

Thank you to the members of Payments Canada's Member Advisory Council (MAC), Stakeholder Advisory Council (SAC), and all of the people on the numerous committees and working groups who continued to provide guidance throughout the year to advance modern payments in Canada.

On behalf of myself and the entire board, I would like to sincerely thank the employees of Payments Canada for an incredible year of dedication and hard work. This year was by no means an easy year, but together, you not only succeeded in a virtual environment, you excelled and you delivered the first new payment system in Canada in over 20 years. You are the future of modern payments, and I look forward to our successes in 2022, as there will be many.



Garry Foster
Payments Canada
Board of Directors Chair

MESSAGE FROM PAYMENTS CANADA'S PRESIDENT & CEO TRACEY BLACK

I became President and CEO of Payments Canada in March, 2020. It is now year two of the COVID-19 pandemic, year two of a physically separated workforce and year two of leading an organization from my dining room. Time is both fast and slow because we are all incredibly busy and missing the mental markers provided by physical interactions.

Despite (still) working remotely, the people of Payments Canada continued to deliver in 2021. I would like to acknowledge our continued strong performance in the operations of Canada's core payment infrastructures, and the accomplishments achieved in advancing modern payments.

This was a big year for Payments Canada. **We delivered Lynx**, our new high-value payment system that replaced LVTS, which had been in place for 20 years. Launching Lynx was a significant milestone in the delivery of modern payments for Canada. This success was the collective effort of our people, our member participants, our technology partners and our regulators. My sincerest thanks to you all.

A key objective of modernizing payments is to support broader access to Canada's payment systems. In April, the **Retail Payments Activities Act (RPAA)** was included in the federal budget, with support from the Department of Finance. RPAA is an important piece of legislation that, in conjunction with changes to the Canadian Payments Act, will allow Payments Canada to welcome new qualifying members. In July, an existing member, **Peoples Trust Company**, announced its intention to shift from an indirect clearer to a direct clearer on the Automated Clearing Settlement System (ACSS). This was made possible by changes to a Payments Canada by-law and rule that came into effect in August, 2020.

In December, we published our annual **Delivery Roadmap**, which included a revised go-live date for the Real-Time Rail (RTR) payment system in mid-2023. **We recognize that** the revised date has created some frustration for some ecosystem stakeholders. The RTR consists of an ambitious technological build



Tracey Black
Payments Canada
President & CEO

which must be launched in conjunction with the necessary by-laws, rules, and policies in place to deliver safe, secure real-time payments that will meet the needs of Canadians. We will continue to work closely with our vendors and ecosystem partners to deliver the RTR payment system in 2023.

This past year provided an opportunity for reflection on how Payments Canada can better support Diversity, Equity and Inclusion (DEI) in our organization and in our ecosystem. We now have a DEI strategy with annual objectives in place. We worked closely with our members to acknowledge the National Day for Truth and Reconciliation, and **closed our offices and our systems** on September 30 in recognition of the lost children and survivors of residential schools, their families and communities.

Payments Canada's 2021 successes would not have been possible without the support of our Board of

Directors, our members, our stakeholders and our regulators. Thank you. The impacts of your guidance and support are felt throughout our organization. Thank you also to our Member Advisory Council and our Stakeholder Advisory Council for your engagement.

Payments Canada's people are dedicated, resilient, and supportive: this is reflected in our culture. We are united in our purpose to make payments easier, smarter and safer for all Canadians. I would like to acknowledge my executive team for their leadership. These are exciting, unusual and uncertain times. Thank you for your dedication and support.

Thank you to the incredible people at Payments Canada – you made 2021 possible. I look towards the future with anticipation and excitement!

REPORT FROM THE CHAIR OF THE MEMBER ADVISORY COUNCIL CHRISTINE HUNTER

The Member Advisory Council (MAC) serves as a consultative and engagement forum for system participants who are also members of Payments Canada. The members are highly engaged and participation represents significant commitments from their respective organizations to support Payments Canada and its board through extensive resourcing and thought leadership.

The acceleration of digital innovation and payments disruption continued through 2021, with consumer behaviour likely permanently changed, while businesses (inclusive of financial institutions) are competing and/or adapting to new technologies or business models that have evolved in recent years.

Meanwhile, Canada continues to pursue a very aggressive payment modernization agenda as published in 2016: Payments Canada's vision is to build a modern payment system that is fast, flexible and secure, promotes innovation, and strengthens Canada's competitive position. Executing on this agenda requires significant skill, rigour and cooperation/coordination of multiple ecosystem parties.

Importantly, the workforce has been profoundly impacted by the COVID-19 pandemic and the acceleration of innovation, leading to even greater focus on the war for talent; payment talent remains scarce and is in high demand globally.

In 2021, Payments Canada, with partners and members, successfully delivered our new high-value payment clearing and settlement system, replacing LVTS with Lynx! This was a very impactful and exciting milestone for Canada and critical to our economy. The migration to Lynx was expertly navigated, with strong collaboration, flawless execution and great transparency; a model that we would like to repeat and learn from throughout the modernization journey.

Our next priority is to deliver new data capabilities (MT – MX translation) within Lynx in support of the

global roll-out of ISO 20022 in the fall of 2022; work is well underway to ensure Canada remains globally competitive in this regard.

Over the past year, members also spent considerable time engaging in key priorities to support innovation, domestic ISO 20022 adoption and increased competition in the market predominantly surrounding the Real-Time Rail (RTR) and the Retail Payments Activities Act (RPAA).

Following the completion of the integrated plan for the RTR, members will be able to substantially begin development, integration and testing of the RTR Release One with a targeted 2023 launch. For many financial institutions/members, investments have already been and continue to be made in this important space with an opportunity for significant growth. Members look forward to further consultation on the Canadian Payments Act, RPAA and ongoing policy and rules drafting in 2022.

In closing, as we continue to support Payments Canada in its initiatives to underpin the Canadian financial system and economy, we look forward to another year of providing counsel and advice while executing on our significant commitments to make Canada stronger.

We are proud of the progress and momentum to date and committed to working in partnership with Payments Canada, regulators and stakeholders to ensure we make a meaningful, positive difference for Canadians!



Christine Hunter
Payments Canada Chair
Member Advisory Council

REPORT FROM THE CHAIR OF THE STAKEHOLDER ADVISORY COUNCIL DAVID CHANCE

The Stakeholder Advisory Council (SAC) provides advice to Payments Canada's Board of Directors on payment, clearing and settlement matters.

SAC members contribute input on proposed initiatives, including by-laws, policy statements and rules that affect third parties. They also identify issues that might concern payment system users and service providers, and suggest how they could be addressed.

OVERVIEW OF 2021

SAC extends its gratitude to Payments Canada, its associates and its member organizations for their continued support for the payment ecosystem during the ongoing COVID-19 pandemic. SAC also applauds all involved in the successful implementation of the Lynx interbank settlement system.

SAC began 2021 with renewed optimism for payment modernization, with the Payments Canada agreement with its vendors for the deployment of the Real-Time Rail (RTR). That optimism has been tempered, but not extinguished.

LOOKING BACK

SAC has continued to work closely with Payments Canada, helping with the modernization process through active participation in the various RTR working groups, management committees and modernization teams to help define and drive modernization forward. However, there is disappointment with the further delays to the rollout of the RTR and its expected scope.

SAC has continued its push for Payments Canada to take a leadership role in Canadian payments, through its policy setting remit, especially in extending the use of the ISO 20022 data standards into batch payments and ensuring a common, easily understood and enforceable recourse policy across all Canadian payment schemes.

The growing working relationship between SAC and MAC was impacted by the need to meet in a virtual



David Chance
Payments Canada Chair
Stakeholder Advisory Council

environment and the demands that COVID-19 has made on both SAC and MAC members and their organizations. Revitalizing this relationship is a key action item to address as we move into 2022. However, the close working relationship between SAC and Payments Canada has continued to grow through small focus groups, working together on areas such as policy, rules and standards to help ensure that there is a competitive, innovative, cohesive and safer payment ecosystem.

Although SAC evolved its engagement model in 2020, creating small working groups, the lack of in-person meetings and the commitment to supporting Payments Canada's focus and working groups curtailed the effectiveness of this engagement approach. Further refinement of this model and the belief that we will be able to physically

meet in 2022 will allow us to realize our objectives and increase SAC's effectiveness in representing payment stakeholders.

Although not in the direct remit of Payments Canada, SAC remains concerned at the slow progress of retail payments reform allowing increased access to all Canadian payment systems and continues to support Payments Canada to ensure that this has the necessary priority.

In addition, SAC is concerned that Canada continues to fall further behind other countries. Lack of enhanced payment data exchange through the use of ISO 20022 messages in the batch payment system, the provision of a centralized and coordinated 'alias/proxy' directory service and the lack of unified business services, such as Request to Pay, are having a detrimental impact. While commercial organizations

are providing innovative solutions to fill these gaps, there is a concern that lack of a single governance, policy and oversight authority may have the potential to result in a disjointed, discordant and fragmented set of services that does not provide all the potential benefits that could be attained.

LOOKING FORWARD

SAC enters 2022 continuing to promote the needs of payment users in Canada. SAC believes that to obtain the benefits of payment modernization for all Canadians, centrally governed and coordinated services, such as an alias/proxy directory and Request to Pay, alongside rich payment and trusted business interactions and a clear and coordinated recourse policy are critical. SAC will promote and advocate this belief through its work with Payments Canada and the wider payment ecosystem. SAC remains committed to providing counsel, advice and direction for the public policy elements of the rollout of payment modernization.

SAC will continue the evolution of its engagement model to allow it to give prominence to key stakeholder concerns and foster a better working relationship with Payments Canada and its members.

Engagement with the Department of Finance and the Bank of Canada is a key focus, enabling SAC to widen its influence on payment modernization. The reinvigoration of the relationship between SAC and MAC is seen as critical and achieving this will be a prominent driver in 2022.

SAC is the voice of the stakeholders and is committed to advocating for greater access, lower costs and better service for all the foundational elements of payments, through open banking, business services such as Request to Pay, the use of simple and secure identifiers for payment transactions, underpinned by a clear and comprehensive recourse environment that supports the needs of all users.

Finally, I would again like to thank SAC members, Payments Canada and all its members for their commitment during another difficult year to drive modernization forward and ensure that Canada will have a world-leading payment environment that includes all, provides competition and fosters innovation.

Contact:

David Chance, SAC Chair, Fiserv
david.chance@fiserv.com

2021 TOP ACHIEVEMENTS

In 2021, Payments Canada's systems cleared and settled over \$135 trillion — more than \$539 billion every business day.

DELIVERED on Modernization progress. Successful launch of **Lynx**, Canada's new high-value payment system, secured an **Exchange solution provider** for the Real-Time Rail (RTR) and initiated a public consultation around the **Pre-Authorized Debit (PAD) framework**. We continued to grow the **API developer portal**, deepened the SAC membership and received **support for real-time payments**. We continued to address the rising payment knowledge gap through **high quality and relevant research**.

FACILITATED a collaborative member and stakeholder engagement experience that saw support for **RPAA** (formerly RPOF) and its inclusion in the 2021 federal budget. We welcomed over 2,200 delegates in a virtual environment to our annual conference, **The SUMMIT**, and continued discussions through other channels, including our podcast, the **PayPod**. We embarked on new partnerships with **Peoples Trust to become a new direct clearer** on the Automated Clearing Settlement System (ACSS) and **Citi as a new participant** on Lynx. Payment trends and market insights on COVID-19's impact were assessed through our robust **research and analysis**.

ENHANCED our **cyber resilience** to ensure our payment clearing and settlement systems continued to operate safely and securely. We welcomed new **executive leaders** to our organization to build and guide our people through another challenging year of the pandemic. We continued to enhance our sound financial management and risk measures as we upheld our mandate to operate safely and securely Canada's national payment clearing and settlement systems. And as we delivered Lynx, we continued to progress on the Real-Time Rail (RTR).

SYSTEMS AVAILABILITY RATE:

ACSS AVAILABILITY RATE

99.92%

LVTS AVAILABILITY RATE

(January 1, 2021 – August 27, 2021)

100%

LYNX AVAILABILITY RATE

(August 30, 2021 – December 31, 2021)

99.85%

TOTAL LVTS & LYNX AVAILABILITY RATE

99.95%

CSN AVAILABILITY RATE

100%

#OURSTORIESIN2021

PAYMENTS CANADA'S PUBLIC CONSULTATION SHOWS SUPPORT FOR REAL-TIME PAYMENT SYSTEM

PUBLISHED: JANUARY 25, 2021

“ Payments Canada closed its public consultation on the policy proposals outlined in the Canada’s New Real-Time Payment System Policy Framework consultation paper.”

On October 30, 2020, Payments Canada closed its public consultation on the policy proposals outlined in the Canada’s New Real-Time Payment System Policy Framework consultation paper.

The public consultation confirmed industry support for the Real-Time Rail (RTR), Canada’s new real-time payment system, and identified topics where additional information and/or discussion would be helpful. The feedback received will inform the capabilities of the RTR and the policies and rules that will govern RTR participants.

[read more](#) 

WHO WE ARE

Payments Canada is a public purpose organization that owns and operates Canada's payment clearing and settlement systems, Lynx and the Automated Clearing Settlement System (ACSS).

Payments Canada is responsible for the physical infrastructure and the associated by-laws, rules and standards that support these systems. It also has a duty to promote the efficiency, safety and soundness of Payments Canada's systems while taking into account the interests of end users.

OUR MANDATE

Our legislated mandate, as set out in the Canadian Payments Act, includes the following objectives:

A

Establish and operate national systems for the clearing and settlement of payments and other arrangements for the making or exchange of payments.

B

Facilitate the interaction of its clearing and settlement systems and related arrangements with other systems or arrangements involved in the exchange, clearing or settlement of payments.

C

Facilitate the development of new payment methods and technologies.

In fulfilling its mandate, Payments Canada has the public policy objective of promoting the efficiency, safety and soundness of its clearing and settlement systems and taking into account the interests of users.

OUR STRATEGY

We are well on our way to realizing our Vision of a thoroughly modernized payments infrastructure that will benefit all Canadians. To fulfill our vision and deliver on our mandate, Payments Canada follows and implements a five-year corporate plan.

IN 2021, OUR CORPORATE PLAN FOCUSED ON THREE ACTIVITIES:

- ✓ **DELIVER** projects that enhance the Canadian payment systems and ensure Canada remains globally competitive
- ✓ **OPERATE** and **ENHANCE** current payment systems in accordance with stringent global standards
- ✓ **FACILITATE** the payment ecosystem

We work together with our member financial institutions, the Department of Finance, the Bank of Canada, domestic stakeholders and international counterparts through formalized processes and regular and ad hoc interactions.

GOVERNANCE

PAYMENTS CANADA BOARD OF DIRECTORS

Under the new leadership of the Chair, Garry Foster, the 13-director board¹ is charged with directing and managing the affairs of the organization with a focus on strategic and policy matters. The board receives advice and counsel from the Payments Canada Stakeholder Advisory Council (SAC) and the Member Advisory Council (MAC).

In 2021, the board thanked and said goodbye to its previous chair, Eileen Mercier, and three other directors: Malcolm Knight, Lib Gibson and Mike Henry. We welcomed four new directors with a diverse range of expertise: independent director Saigin Govender, independent director Fariba Rawhani, independent director AnneMarie Ryan and member director Stéphane Achard.

¹ The nominating committee (which is charged with the responsibility of confirming the independence of the independent directors) has confirmed the independence of those directors.



**THE PAYMENTS CANADA
LEADERSHIP TEAM WORKS
CLOSELY WITH THE REGULATORS
AND THE BOARD OF DIRECTORS
TO ENSURE THE REGULATIONS
SET OUT IN THE ENABLING
LEGISLATION ARE ADHERED
TO, THEREBY MAINTAINING THE
INTEGRITY OF THE GOVERNANCE
SYSTEM, THE ORGANIZATION
AND THE ECOSYSTEM AS A WHOLE.**

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2022

David Barnard
Independent Director

John Landry
Citibank Canada

Susan Doniz
Independent Director

Kevin Patterson
Canadian Imperial Bank
of Commerce

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2023

Garry Foster
Independent Director

Rob Paterson
CS Alterna Bank

Susan Hawkins
The Toronto Dominion Bank

John Sheridan
Independent Director

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2024

Stéphane Achard
National Bank of Canada

Fariba Rawhani
Independent Director

Saigin Govender
Independent Director

AnneMarie Ryan
Independent Director

#OURSTORIESIN2021

PAYMENTS CANADA NAMES GARRY FOSTER NEW BOARD CHAIR

PUBLISHED: JUNE 24, 2021



“New directors Saigin Govender, Fariba Rawhani, AnneMarie Ryan, Stéphane Achard elected to board.”

Payments Canada, the country’s financial market infrastructure for payments, elected Garry Foster as the new chair of the board of directors at its Annual Member Meeting, and appointed four new directors.

“Garry Foster has extensive experience facilitating the growth and transformation of complex businesses, which is a perfect fit for where Payments Canada is today and for our future,” said Tracey Black, President & CEO of Payments Canada. “We are very pleased that

he is stepping into the role of board chair.”

Mr. Foster is a seasoned corporate director who has served on the Payments Canada board since 2017, and chaired the board’s audit and finance committee. He currently sits on several other prominent Canadian boards including the SmartCentres REIT and Real Matters Inc. and Ontario Health, and previously sat on the Presto Fare Card sub-committee of Metrolinx.

[read more](#)

BOARD COMMITTEES

The Board of Directors is charged to direct and manage the affairs of the organization with a focus on strategic and policy matters.

There are **four board committees**, who met their objectives as outlined in their terms of reference and 2021 annual work plans, that assist the Board of Directors in fulfilling their responsibilities:

- 1 Audit and Finance Committee (AFC)
- 2 Governance and Nominating Committee (GNC)
- 3 Human Resources and Compensation Committee (HRCC)
- 4 Risk Committee

BOARD AND COMMITTEE ATTENDANCE

January to June (before annual meeting of members) 2021

MEMBER	MEMBER SINCE	BOARD	AFC	GNC	HRCC	RISK
Number of meetings		3	2	2	3	2
Director attendance						
E. Mercier – Chair	2015-07	3	2	2	3	2
M. Knight – Deputy Chair	2015-07	3	2	n/a	n/a	2
D. Barnard	2016-05	3	n/a	2	n/a	n/a
T. Black	2020-03	3	n/a	n/a	n/a	n/a
S. Doniz	2016-05	3	n/a	n/a	3	n/a
G. Foster	2017-06	3	2	2	n/a	n/a
L. Gibson	2015-07	3	n/a	n/a	3	n/a
S. Hawkins	2020-06	3	2	n/a	n/a	2
M. Henry	2018-06	3	n/a	n/a	3	n/a
J. Landry	2019-06	3	2	n/a	n/a	n/a
R. Paterson	2020-06	2	n/a	2	n/a	1
K. Patterson	2019-06	3	n/a	2	3	n/a
J. Sheridan	2020-06	3	n/a	2	n/a	2

Note: Since board committees meet at least one day before the board meetings, the attendance is for meetings up to and including the June meetings.

June to December (after annual meeting of members) 2021

MEMBER	MEMBER SINCE	BOARD	AFC	GNC	HRCC	RISK
Number of meetings		2	2	2	2	2
Director attendance						
G. Foster – Chair	2017-06	2	2	2	2	2
S. Doniz – Deputy Chair	2016-05	2	n/a	n/a	2	n/a
S. Achard	2021-06	2	n/a	n/a	2	n/a
D. Barnard	2016-05	2	n/a	2	n/a	n/a
T. Black	2020-03	2	n/a	n/a	n/a	n/a
S. Govender	2021-06	2	n/a	2	2	n/a
S. Hawkins	2020-06	2	1	n/a	n/a	2
J. Landry	2019-06	2	2	n/a	n/a	n/a
R. Paterson	2020-06	1	n/a	1	n/a	0
K. Patterson	2019-06	2	n/a	2	2	n/a
F. Rawhani	2021-06	2	2	n/a	n/a	2
AM. Ryan	2021-06	2	n/a	2	n/a	2
J. Sheridan	2020-06	2	2	n/a	n/a	n/a

Note: Since board committees meet at least one day before the board meetings, the attendance above is for meetings after June.

EXECUTIVE LEADERSHIP TEAM

Our Executive Leadership Team provides strategic direction, leadership and oversight to Payments Canada.

Learn more about our Executive Team by visiting payments.ca



Tracey Black
President & Chief Executive Officer



John Cowan
Chief Technology & Operations Officer



Peter Dodic
Chief Risk Officer



Kristina Logue
Chief Financial Officer



Andrew McFarlane
Chief External Relations Officer

MEMBER ADVISORY COUNCIL

The 20-person Member Advisory Council (MAC) is mandated in the Canadian Payments Act as a consultative and engagement forum for our members who are system participants. MAC provides advice to the board on our clearing and settlement systems; the way they interact with other systems in the exchange, clearing or settlement of payments; and in the development of new payment technologies.

APPOINTED UNTIL JULY 2022

John Davis
Citibank

Nancy McNeill
Coast Capital

Kartik Kamat
Equitable Bank

Dougal Middleton
The Bank of Nova Scotia

Christine Hunter
The Toronto Dominion Bank

Sarah Gainey
Wells Fargo

APPOINTED UNTIL JULY 2023

Leslie Konecny
Bank of America

Derek Vernon
Bank of Montreal

Jason Behamdouni
Canadian Imperial Bank
of Commerce

Sue Whitney
Central 1

Matthew Parker-Jones
JPMorgan Chase,
National

John Pals
Peoples Trust Company

Eric Bauer
PNC Bank

APPOINTED UNTIL JULY 2024

Ryan Rabin
ATB Financial

Carol Brigham
Bank of Canada

Christine Day
Community Trust
(formerly Questrade)

Patrice Dagenais
Desjardins

Jude Leclerc
HSBC

Patrice Roy
National Bank of Canada

Christina Vandoremalen
Royal Bank of Canada



**IN 2021, PAYMENTS CANADA,
WITH PARTNERS AND
MEMBERS, SUCCESSFULLY
DELIVERED OUR NEW HIGH-
VALUE PAYMENT CLEARING
AND SETTLEMENT SYSTEM,
REPLACING LVTS WITH LYNX!**

Christine Hunter
MAC Chair

2021 MAC MEETING ATTENDANCE

Council members are appointed through a process involving a nominating committee and approved by the board. While named representatives are expected to attend all council meetings, if a named representative is unable to attend a meeting, alternates may be permitted on an exception basis but for not more than one third of council meetings.

MEMBER	MEETINGS ATTENDED (OR DELEGATE)	NAMED REPRESENTATIVE
ATB Financial	6/6	Ryan Rabin
Bank of America	0/0	Leslie Konecny ¹
Bank of Canada	6/6	Carol Brigham
Bank of Montreal	6/6	Derek Vernon
Canadian Imperial Bank of Commerce	6/6	Jason Behamdouni
Central 1	6/6	Sue Whitney
Citibank Canada	5/6	John Davis
Coast Capital	6/6	Nancy McNeill
Community Trust	2/3	Christine Day
Equitable Bank	6/6	Kartik Kamat
HSBC	6/6	Jude Leclerc *Jennifer Ogden
JPMorgan Chase, National	6/6	Matthew Parker-Jones
Desjardins	6/6	Patrice Dagenais
National Bank of Canada	6/6	Patrice Roy
Peoples Trust Company	6/6	John Pals
PNC Bank	6/6	Eric Bauer *Eileen Dignen
Royal Bank of Canada	6/6	Christina Vandormalen *Lisa Lansdowne-Higgins
The Bank of Nova Scotia	6/6	Dougal Middleton
The Toronto Dominion Bank	6/6	Christine Hunter
Wells Fargo	6/6	Sarah Gainey *Sean Goldrick

2021 PAST ADVISORY COUNCIL MEMBERS

MEMBER	MEETINGS ATTENDED (OR DELEGATE)	NAMED REPRESENTATIVE
Canadian Tire Bank ²	3/3	Megan Jones
Canadian Western Bank	3/3	Vlad Ahmad
HSBC	3/3	Jennifer Ogdon

* indicates the previously named representative that changed during the year.

¹ Bank of America was appointed to MAC at the December 2, 2021 board meeting. There were no MAC meetings scheduled for the remainder of 2021

² Replaced by Bank of America



SAC HAS CONTINUED TO WORK CLOSELY WITH PAYMENTS CANADA, HELPING WITH THE MODERNIZATION PROCESS THROUGH ACTIVE PARTICIPATION IN THE VARIOUS RTR WORKING GROUPS, MANAGEMENT COMMITTEES AND MODERNIZATION TEAMS TO HELP DEFINE AND DRIVE MODERNIZATION FORWARD.

David Chance
SAC Chair

STAKEHOLDER ADVISORY COUNCIL

The Stakeholder Advisory Council (SAC) provides advice to our board of directors on payment, clearing and settlement matters. SAC members contribute input on proposed initiatives, including by-laws, policy statements and rules that affect third parties. They also identify issues that might concern payment system users and service providers and suggest how they could be addressed.

APPOINTED UNTIL MARCH 31, 2022

Don Mercer
Consumer Council
of Canada

Ilinca Vetra
Intact Financial
Corporation

Josh Rowat
Wise

Sue Britton
Fintech Growth
Syndicate

Wayne Pommen
Paybright (affirm)

APPOINTED UNTIL MARCH 31, 2023

Shemina Jiwani
AscendantFX Capital

Phil Pellegrini
KOHO

Jean Hope
Ministry of Finance,
Government of BC

Jasmin Guénette
Canadian Federation
of Independent
Business

Tracy Lagasse
Microsoft

Katja Lehr
PayPal Canada

APPOINTED UNTIL MARCH 31, 2024

Brent Mizzen
Canadian Life and
Health Insurance
Association

Liz Mulholland
Prosper Canada

Adnan Khan
Revenue Canada

David Chance
Fiserv

Jean-Pierre Blais
Receiver General for
Canada, PSPC

Mark DiFilipo
Telus

Nykol Kroeker
WestJet

AnneMarie Ryan
Payments Canada
Board of Directors
Representatives

John Sheridan
Payments Canada
Board of Directors
Representatives

Nicolas Marion
Department of Finance
Canada Observer

2021 SAC MEETING ATTENDANCE

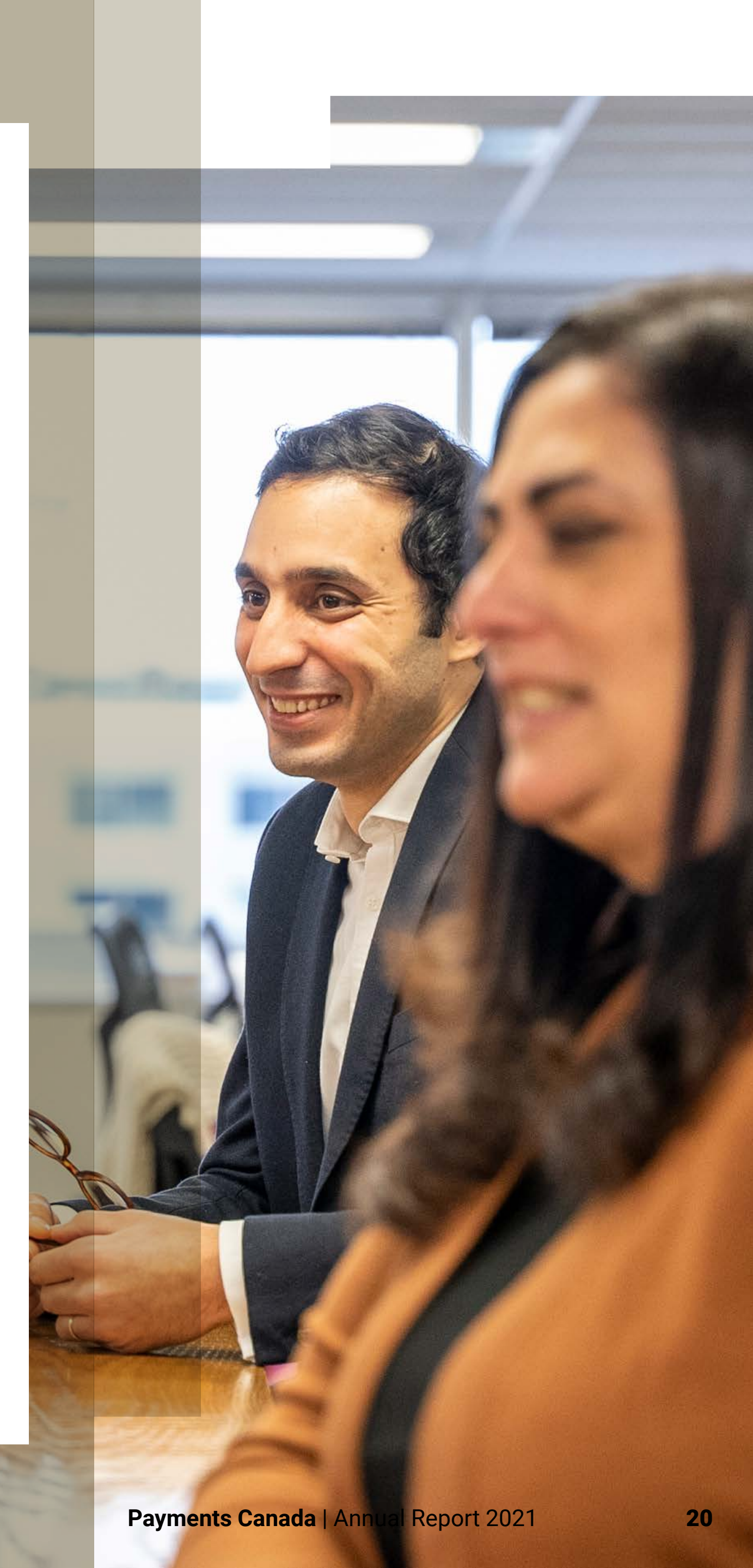
Council members are appointed through a process involving a **nominating committee** and approved by the board in consultation with the Minister of Finance. While named representatives are expected to attend all council meetings, if a named representative is unable to attend a meeting, alternates may be permitted on an exception basis but for not more than one third of council meetings.

STAKEHOLDER	MEETINGS ATTENDED (OR DELEGATE)	NAMED REPRESENTATIVE
AscendantFX	4/4	Shemina Jiwani
Canadian Federation of Independent Business	2/4	Jasmin Guénette
Canadian Life and Health Insurance Association	4/4	Brent Mizzen
Canada Revenue Agency	3/3	Adnan Khan
Consumer Council of Canada	4/4	Don Mercer
Fintech Growth Syndicate	4/4	Sue Britton
Fiserv	4/4	David Chance
Intact Financial Corporation	4/4	Ilinca Vetra
KOHO	4/4	Phil Pellegrini <i>*Elena Litani</i>
Microsoft	4/4	Tracy Lagasse
Ministry of Finance, Government of BC	4/4	Jean Hope
Paybright (affirm)	2/4	Wayne Pommen
PayPal Canada	3/4	Katja Lehr
Prosper Canada	3/3	Liz Mulholland
Receiver General for Canada, PSPC	4/4	Jean-Pierre Blais
Telus	3/3	Mark DiFilipo
WestJet	3/3	Nykol Kroeker
Wise	2/4	Josh Rowat
Payments Canada Board Member	2/2	AnneMarie Ryan
Payments Canada Board Member	3/4	John Sheridan

2021 PAST ADVISORY COUNCIL STAKEHOLDERS

STAKEHOLDER	MEETINGS ATTENDED (OR DELEGATE)	NAMED REPRESENTATIVE
Canadian Depository for Securities Ltd.	0/1	Wayne Ralph
Google Payments	0/1	Erika Peterson
Hydro-Quebec	0/1	Michel Lechasseur
Symcor	1/1	Donna Kinoshita

* indicates the previously named representative that changed during the year.



#OURSTORIESIN2021

WISE: MODERN PAYMENT REGULATIONS WILL SUPPORT CANADA'S ECONOMIC RECOVERY

PUBLISHED: MARCH 5, 2021

“While ‘modernizing payment regulations and infrastructure’ might sound technical, it’s actually one of the most important financial policy initiatives the government can lead.”

Nick Catino, Head of Policy and Campaigns (Americas) at Wise (formerly TransferWise) shared his thoughts on the need for modern payment regulations in Canada, including the Retail Payments Oversight Framework and changes to the Canadian Payments Act, in order to provide Canadians new payment options that are safe, affordable and convenient.

Amidst the prevailing pandemic, how might modern payments support Canadians?

While “modernizing payment regulations and infrastructure” might sound technical, it’s actually one of the most important financial policy initiatives the government can lead. Payments are the part of finance that consumers engage with most on a day-to-day basis. Much like our mission at Wise, governments should strive to make payments instant, convenient, transparent, and as low cost as possible.

[read more](#)

CLEARING AND SETTLEMENT SYSTEM STATISTICS

In 2021, Payments Canada's systems cleared and settled over \$135 trillion—more than \$539 billion every business day.

Transactions that pass through our systems include debit card payments, pre-authorized debits, direct deposits, bill payments, wire payments and cheques initiated and received by Canadians and Canadian businesses.

AUTOMATED CLEARING SETTLEMENT SYSTEM

The **ACSS**, referred to as the retail batch system, is the system through which the vast majority of Payments Canada payment items — both paper-based and electronic — are cleared.

ACSS 2021 STATISTICS

Total volume

8.4 billion items

Daily average volume

33.5 million items

Total value

\$8.4 trillion

Daily average value

\$33.5 billion

To learn more about ACSS volumes and values, please visit the **ACSS statistics** section on payments.ca

#OURSTORIESIN2021

PAYMENTS CANADA LAUNCHES LYNX, CANADA'S NEW HIGH-VALUE PAYMENT SYSTEM

PUBLISHED: SEPTEMBER 1, 2021

“The payment ecosystem is rapidly evolving.”

Payments Canada announces today the launch of the first release of Lynx, Canada's new high-value payment system. Lynx is replacing the Large Value Transfer System (LVTs), which has served as Canada's high-value payment system for over 20 years.

Designated by the Bank of Canada as a systemically important payment system under the Payment Clearing and Settlement Act, Lynx will process large value, time-critical payments (i.e. wire payments) with real-time settlement finality and will provide enhanced cyber security and

resiliency capabilities. Lynx has been designed with flexibility to support future technologies, including interfaces and APIs.

“The payment ecosystem is rapidly evolving. Our role at Payments Canada is to support the innovation of payment infrastructure and rules to make payments easier, smarter, and safer for all Canadians,” said Tracey Black, President and CEO at Payments Canada. “Lynx is an integral part of our broader payment Modernization initiative to deliver the future of payments for Canada.”

[read more](#) 

LYNX, CANADA'S NEW HIGH-VALUE PAYMENT SYSTEM

Lynx is Canada's high-value payment system. It is an electronic wire system that facilitates the irrevocable transfer of payments in Canadian dollars between Canadian financial institutions across the country.

It was introduced on August 30, 2021 as the replacement system to the Large Value Transfer System (LVTS).

To learn more about large value volumes and values, please visit the [Large Value Transfer statistics](#) section on [payments.ca](#)

LVTS 2021 STATISTICS (JANUARY 1, 2021 – AUGUST 27, 2021)

Total volume

7,443,894 items

Daily average volume

44,574 items

Total value

\$85.63 trillion

Daily average value

\$512.8 billion

LYNX 2021 STATISTICS (AUGUST 30, 2021 – DECEMBER 31, 2021)

Total volume

4,155,759 items

Daily average volume

49,473 items

Total value

\$41.13 trillion

Daily average value

\$489.7 billion

TOTAL LARGE VALUE 2021 STATISTICS

Total volume

11,599,653 items

Daily average volume

46,214 items

Total value

\$126.8 trillion

Daily average value

\$505 billion

#OURSTORIESIN2021

CITI ANNOUNCED AS A NEW PARTICIPANT ON LYNX, CANADA'S NEW HIGH-VALUE PAYMENT SYSTEM

PUBLISHED: SEPTEMBER 28, 2021

Payments Canada announced today that Citi has become a participant on Lynx, Canada's new high-value payment system which launched in August 2021.

Citi joins 16 other participating financial institutions that were a part of the initial Lynx launch.

As a participant on Lynx, Citi is now able to settle payments directly with other participants. In addition to sending and receiving high-value and time-critical payments, Citi and its clients will also benefit from Lynx's enhanced cyber security and financial reporting capabilities.

"We welcome Citi as our first new participant on Lynx and look forward to the added value and benefits

Citi will be able to deliver to their clients to help meet their current and future payment needs," said Andrew McFarlane, Executive Director of Modernization at Payment Canada. "As we go about our work modernizing Canada's payment infrastructure, we do so with broader access in mind. The addition of new participants on Canada's payment systems will drive competition and support the introduction of enhanced and new payment products and experiences for all Canadians."

[read more](#)



2021 IN REVIEW

MODERNIZE

Payments Canada progressed on modernizing Canada’s national payment systems. Industry alignment and readiness for implementation continued to be our main focus, with challenges from the pandemic adding to a complex payment environment.

Radical shifts in Canadian’s purchasing behaviours since the onset of the pandemic reinforced how digital payments are an accelerator for the Canadian economy. We remain committed to **Our Vision** for a fast, flexible and secure payment system that promotes innovation – by being more open and accessible—and strengthens Canada’s competitive position. Our **Delivery Roadmap**, our annual summary of progress made, is part of that commitment and we encourage you to read the most recent iteration for an overview of timelines and milestones of our complex modernization program.

HIGH-VALUE PAYMENTS, DELIVERED

The successful launch of Lynx was a true demonstration of how Canada’s payment industry—Payments Canada, its member participants, and strong support from the Bank of Canada and the Department of Finance—can work effectively together. The introduction of Lynx required changes to existing LVTS by-laws, rules, standards and best practice statements—a significant amount of effort.

CITI AS NEW PARTICIPANT ON LYNX

Shortly following the launch of Lynx, **Citi joined the high-value payment system** as the first new participant on Lynx, allowing the financial institution to settle payments directly with other participants. Additionally, Citi and its clients benefit directly from Lynx’s enhanced cyber security and financial reporting capabilities.

PEOPLES TRUST COMPANY TO BECOME NEW DIRECT CLEARER ON ACSS

As a result of a by-law amendment which removed a 0.5 per cent minimum volume requirement, in 2021 **Peoples Trust Company** was granted a settlement account and loan facility from the Bank of Canada and conditional approval by Payments Canada to become a new direct clearer on Payments Canada’s retail batch system, the Automated Clearing Settlement System (ACSS). When they onboard in 2022, Peoples Trust will be the first new direct clearer on the ACSS since its launch in 1984.

PRE-AUTHORIZED DEBIT (PAD) CONSULTATION

In 2021, Payments Canada sought public feedback through a **consultation process on proposed changes to Rule H1**, which outlines the procedures for the exchange for the purpose of clearing and settlement of PADs that are supported by an ongoing agreement between a payor and/or a payee. Since the last holistic review of Rule H1 in 2008, new services, user, and technology processes are available in-market, prompting a review to ensure the rule remains relevant and meets the evolving needs of payees and payors. Any rule amendments will occur in 2022.

REAL-TIME RAIL PROGRESS

Following a public consultation in late 2020, **support is strong for a Real-Time payment system** in Canada. The Real-Time Rail (RTR) will enable Canadian consumers and businesses to securely send and receive payments within minutes, 24/7/365. This new system will act as a platform for innovation. Existing and new members of Payments Canada will be able to develop enhanced ways for Canadians to transfer money and pay for goods and services.

In 2021, Interac was selected as the **solution provider** for the RTR Exchange.

OPERATE & DELIVER

ISO 20022

In 2021, Payments Canada developed Lynx **ISO 20022 message specifications**. ISO 20022 is a global financial 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.

Ensuring our member financial institutions are prepared for the second release of Lynx was a focus in 2021 and into 2022. Our efforts align with SWIFT's ISO 20022 migration date for cross-border payments. Lynx Release Two, will launch in Q4 of 2022 and support the end-to-end delivery of ISO 20022 messages.

CYBER RESILIENCE

In 2021, **Payments Canada published a Cyber Resilience Strategy**, detailing our future strategies for managing risks, and ensuring preparedness against cyber threats. This strategy aligns with the Bank of Canada and Payments Canada's latest cyber security core assurance review.

TECHNOLOGY ENHANCEMENTS

In 2021, Payments Canada succeeded in implementing both a Lynx and ACSS data warehouse and analytics solution in a new cloud-based platform. This was an important development to increase the organization's business analytics and reporting capabilities, in support of critical decision-making processes.

Enhancements were made to the weekly update of the **Financial Institutions File (FIF)** to reduce the turnaround time of the file's availability from seven days to three. The Financial Institutions File (FIF) is an electronic directory containing routing numbers to facilitate payments to the appropriate deposit-taking institution in Canada.



FACILITATE

THE SUMMIT

The SUMMIT Series webinars continued in 2021, with a broad range of members and stakeholders discussing the risks and rewards of payments data, the impact of **AI on the future of payments** and with the explosion of e-commerce, how **consumers will influence retail payments in Canada**.

Our annual conference, **The Payments Canada SUMMIT** welcomed more than 2,200 delegates for five days of programming featuring over 350 speakers. 2021 became a record-breaking year as our conference grew in size, scale and prominence. The conference covered a wide range of topics facing the payment ecosystem, from the evolution of bill payment to cyber security and the future of open banking, to more sustainable and inclusive payments.

ADVANCING PAYMENTS RESEARCH AND POLICY

Our **research** in 2021 provided valuable insights into payment trends, developments, **challenges and opportunities**, both domestically and internationally.

Digital currencies continued to be a prevalent topic, specifically Central Bank Digital Currency (CBDC). Our discussion papers investigated the value of **retail CBDC issuance** and **global developments in CBDC**.

As the pandemic continued throughout the year, we monitored **consumer spending** behaviours and **small business sales**, analyzed **optimism in the market** and uncovered how businesses were **protecting themselves against payment fraud** since the pandemic.

Through our **Canadian Payment Methods and Trends (CPMT)** report, we explored the continued acceleration in the adoption of digital payments, and evolution of the payment ecosystem in Canada. While credit card use declined for the first time in seven years, overall e-commerce spending increased, as did Canadians' use of card alternatives, such as wearables.

The **gig economy** saw exponential growth as the Canadian workforce remained largely virtual, and our research indicated that gig workers want to receive fast, secure and traceable payments, which is not currently the case for many workers.

THERE'S NO DOUBT THAT
THESE SHIFTS IN PAYMENT
PREFERENCES ARE HERE TO
STAY – AND INNOVATION WILL
CONTINUE TO EVOLVE THE
PAYMENT LANDSCAPE.

Cyrielle Chiron
Chief Strategy Officer
Payments Canada





OUR PEOPLE

We are a 270-person organization. Every one of us is responsible for the operation of resilient and secure national payment clearing and settlement systems.

Balancing interests, finding commonalities and sharing our payment expertise has become more critical than ever in this hybrid working environment as we continue to modernize payments in Canada. Supporting our people, both professionally and personally, is the most important factor in this evolving environment.

DRIVING CHANGE: DIVERSITY, EQUITY AND INCLUSION

We supported each other throughout some difficult times in 2021. Not only were our people continuing to manage personally and professionally through the pandemic, social justice issues and activism were the topic of many all-staff meetings. Our people wanted to act, and we supported them with opportunities to speak, act and influence change,

all in a safe environment. Payments Canada officially closed our systems on September 30 as Canada recognized the first National Day for Truth and Reconciliation. The development of our Diversity, Equity and Inclusion Strategy – including the employee diversity and inclusion sentiment survey – was significant. This strategy will further our goals and objectives for a more inclusive, equitable and diverse work environment for years to come.

PAYMENTS MEETS PURPOSE: BUILDING OUR PEOPLE

In 2021 we furthered our goals of attracting talent that aligns with Payments Canada’s purpose and needs. We continued to develop recognized leaders and high performers, and made key hires in security, risk, payment operations, project management and research. We welcomed 75 new employees and expanded our student co-op program. Our expertise in virtually onboarding new employees has matured significantly over the past two years.

WELLNESS, RESILIENCE AND CONNECTION, REMOTELY

Our primary focus is the mental and physical wellbeing of our people: they are our most important asset. Employee resilience, positivity and dedication

to our purpose is what makes Payments Canada the success that it is.

In 2021, we continued to offer extensive support for our employees as we managed through the evolving pandemic public health protocols. Professional development is a key pillar of our unique Payments Canada culture, and we were proud to continue to offer in-house learning and development programs and social activities. Support for employee-led initiatives, such as Movember, Pink Shirt Day, Mental Health Week and Pride Month, helped to keep us connected and strengthened our resilience.

Like other organizations in Canada and around the world, we realize that the pandemic will result in significant and lasting changes to our work environment. We completed a vision of the “Future of work” to identify options to meet the needs of our employees once our offices reopen on a more permanent basis.

Our offices continued to meet all health authority guidelines and, whenever permitted by provincial and municipal authorities, were open for those employees who wished to work in the office.



#OURSTORIESIN2021

PAYMENTS CANADA CLOSED IN OBSERVANCE OF NATIONAL DAY FOR TRUTH AND RECONCILIATION ON SEPTEMBER 30

PUBLISHED: SEPTEMBER 29, 2021

“ On September 30, Payments Canada, as a federally regulated workplace, will be closed in observance of the National Day for Truth and Reconciliation. ”

This is a new national holiday to commemorate the tragic history and lasting effects of Canada’s residential school system, and to honour Indigenous survivors and their families and communities.

On this inaugural day of recognition, and annually on this date going forward, Payments Canada’s operations and payment systems will be closed.

RISK MANAGEMENT: PROGRAM & GOVERNANCE

Risk management is at the core of our operations, guiding the achievement of our strategic objectives and legislative mandate. We ensure our systems are operating safely and securely for Canadians by maintaining a strong enterprise risk management program.

Payments Canada uses the three lines of defence model for risk management. We will take risks to achieve our legislative mandate and strategic objectives only if those risks:

- 1 Promote the good of the Canadian ecosystem overall, recognizing that members are significant in the ecosystem
- 2 Fit our strategy and can be understood and managed
- 3 Position Payments Canada and its systems to be among the most resilient globally within the financial industry

Regular internal and external environment scans are conducted to identify and manage top and emerging organizational risks. All risks are reported to the Internal Risk Committee and the board's Risk Committee. This provides a comprehensive and integrated view of organizational risks and how they align with our risk appetite.

Evolving the maturity of our risk management practices remains a top priority as we deliver modernized payment systems and as the broader payment ecosystem transforms.



2021 MAJOR ENHANCEMENTS

- ✓ Matured risk management tools and processes supporting business continuity management, vendor risk management, updated risk appetite and metrics.
- ✓ Continued evolution of risk culture across the organization including automation of risk training at employee onboarding, enhanced risk communication for risk initiatives/ evolution elements and increased adoption and integration of tools for risk identification and assessments into day-to-day activities.
- ✓ Enhanced risk management activities within Lynx program: integrated Lynx within business continuity plan, transitioned Lynx target state risks to ongoing risk assessment process and implemented Financial Market Risk (FMR) Monitoring Framework for Lynx.
- ✓ Completed the Lynx Self Assessment against the Bank of Canada's Risk Management Standards.

2021 SIGNIFICANT RISKS

Payments Canada proactively identifies and assesses the likelihood and impact of possible risks.



After all mitigations were considered, the top residual risks to Payments Canada in 2021:

1 Cyber incident(s) affecting payment and/or corporate systems.

Key mitigations: Maintain and continually improve cyber protection, detection, governance, testing, response, recovery and resilience capabilities.

2 Challenges in achieving alignment of key stakeholders' interests impacts ability to deliver the RTR.

Key mitigations: RTR and organizational governance structures well established. Refined strategies to engage and build relationships with regulators in order to influence key interests. Ongoing engagement with all stakeholders. Vendor management and vendor risk management programs in use with key vendors. Established program governance and management practices.

3 A major and prolonged payment system outage.

Key mitigations: Enhanced system testing. Implemented improvements to network architecture. Business continuity planning and contingency options in place and tested regularly.

4 Insufficient management of vendors results in interruption to critical operations and/or delays to strategic projects/programs.

Key mitigations: Established vendor risk and vendor management processes in place.




5 Prolonged pandemic environment and return to office approach impacts employee wellbeing, engagement, and retention.

Key mitigations: Invoked remote work protocol; reopened offices with appropriate health and safety protocols. Enhanced ongoing employee engagement, communications, flexible work schedules and benefits to support employee needs. Increased resilience capabilities for essential staff to work from home. Developed future of work strategy to be implemented once pandemic restrictions are loosened.

2021 PERFORMANCE AT A GLANCE

Progress made against our corporate strategies and initiatives are detailed in the following table.



Legend for status

-  Planned progress on schedule and within budget.
-  Delays in terms of time to completion, budget and/or target variances.
-  Deferred or canceled.

MODERNIZE THE CANADIAN PAYMENT SYSTEM

EXPECTED OUTCOMES

Advancement of the Modernization Program in support of the vision that leads to fast, flexible and secure payment systems that promote innovation and strengthen Canada’s competitive position.

KEY INITIATIVE	STATUS	2021 UPDATE
Implement Lynx, compatible with global risk and operating standards to ensure interoperability.		<p>Majority of the approved metrics associated with Lynx were achieved in 2021. Deliverables completed include:</p> <ul style="list-style-type: none"> i. Successfully deployed Lynx on August 30. It has been operating well since that time. ii. Finalized Lynx operating model. iii. Continued preparations for Lynx Release Two in 2022 and published Lynx ISO 20022 message specifications. iv. Received all Lynx approvals within the target date with the exception of the approval of the Lynx by-law and rules. That was received from the Minister of Finance later than the stated target.
Deliver real-time, data-rich payment capability to Canada that meets the needs of the ecosystem domestically and abroad.		<p>RTR work moved forward during the year. However, the RTR re-planning had an impact on meeting the established metrics. Notable achievements include:</p> <ul style="list-style-type: none"> i. Obtained board approval of the by-law drafting instructions within the original timeline. By-law and rules development will continue in 2022 and 2023. ii. Completed design activities for both the clearing and settlement and exchange solutions later than planned. iii. Revised delivery timeline for the program as part of the development of the Integrated Project Plan (IPP). The IPP targets the first deployment in June 2023 and includes the member assessment inputs. iv. Commenced build activities for both solutions.

OPERATE AND ENHANCE CURRENT SYSTEMS

EXPECTED OUTCOMES

Ensuring our current payment clearing and settlement systems and supporting rules and standards meet global standards of safety, efficiency and effectiveness.

KEY INITIATIVE	STATUS	2021 UPDATE
Ensure Payments Canada's legal and policy framework meets evolving needs of the ecosystem.	✓	<ul style="list-style-type: none"> i. Provided input to the Department of Finance that enables them to launch public consultations to the CP Act amendments in 2022. Obtained Department of Finance alignment on our policy and legislative amendment proposals. ii. Developed a draft data governance policy statement covering the ACSS, Lynx systems as well as the RTR, along with ancillary services (e.g., CCIN, CSN). Draft policy will be finalized with SAC, MAC and regulator input in the last quarter of 2021. Board approval is expected to be obtained in 2022.
Ensure operational excellence and system reliability.	✓	<ul style="list-style-type: none"> i. Achieved majority of the system availability targets for ACSS, LVTS, Lynx and CSN each quarter. The target for the ACSS system availability was not achieved for the first quarter. ii. Achieved planned metrics for the enhancement of vendor management capabilities. iii. Continued API product adoption through addition of new subscribers.
Enhance risk management (ERM), with a focus on cyber security.	✓	<ul style="list-style-type: none"> i. Achieved all Payments Canada security metrics by year-end. ii. Executed Resiliency of the Wholesale Payments System exercise within budget and scope. iii. Achieved risk management metrics associated with the ERM Program maturity in the areas of risk strategy and appetite, risk governance, risk culture and risk reporting and insights. iv. Exceeded metrics for risk culture maturity as a result of reinforcement of expected risk behaviours of risk owners and implementation of automated risk onboarding training. v. There were no major audit findings identified. vi. Integrated and streamlined audit approach between the systems' external audits and internal cyber security audit to significantly reduce scope of the external audit.
Attract, retain and develop top talent.	✓	<ul style="list-style-type: none"> i. Met all metrics within the people section by year-end. ii. Employees continued to be engaged as demonstrated by strong employee engagement scores. iii. Implemented policies and guidelines associated with the future of work strategy.
Manage financial resources prudently and transparently.	✓	<ul style="list-style-type: none"> i. Achieved the financial metric with regard to prudently managing the core operations budget. ii. Developed a plan to achieve fully funded status on the reserves required by our regulators to support the operations of the payment systems. iii. Developed a strategy to rebuild the fee stabilization reserve established to mitigate the risks of volume fluctuations. iv. No significant deficiencies and material weaknesses related to Internal Control over Financial Reporting (ICFR) were identified.

FACILITATE INTEROPERABILITY AND INNOVATION IN THE PAYMENT ECOSYSTEM

EXPECTED OUTCOMES

Engaging the financial and business ecosystem to influence progress in payments for the benefit of all Canadians.

KEY INITIATIVE	STATUS	2021 UPDATE
Be the Canadian source of expert knowledge in payments, connecting the ecosystem through education, research and thought leadership.	✓	<p>Completed deliverables associated with this objective include:</p> <ul style="list-style-type: none"> i. Successfully delivered The SUMMIT virtually for the first time, setting new records for attendance and speakers. ii. Achieved planned metrics for digital channel content delivery. iii. Presented research findings on various topics (e.g., cross-border, digital currencies, fraud, payment migration, open banking) through a variety of digital channels such as website, podcast, online conferences and media interviews.
Effectively support evolution in an increasingly diverse and complex ecosystem.	✓	<ul style="list-style-type: none"> i. Made pre-budget submissions on payment-related ecosystem developments to the Federal Parliament in advance of the 2022 budget. Set our strategic directions on CBDC, cross-border and open banking. ii. All ACSS direct clearers participated in the new government cheque reduction initiative and provided funding for this work.

2022 CORPORATE PLAN

Three long-term strategic objectives guide Payments Canada into the 2022 to 2026 planning period:

- 1 Deliver projects that modernize the Canadian payment systems.
- 2 Operate and enhance current systems.
- 3 Facilitate the payment ecosystem.

The 2022 to 2026 period is a time of transition as we deliver the objectives as set out in the Vision for the Canadian Payments Ecosystem in 2016. A key focus for 2022 is the development of a revised vision and strategy to guide Payments Canada and the payment ecosystem upon the completion of the Modernization program.



SUMMARY OF FINANCIAL OPERATIONS

SUMMARIZED STATEMENT OF OPERATIONS

(in millions of Canadian dollars)

REVENUES	2021	2020
Fees	63	60
Other Revenues	3	1
Total Revenues	66	61
EXPENSES	2021	2020
Core Operations	57	49
Projects	2	2
Modernization	18	29
Total Expenses	77	80
(Deficit)	(11)	(20)

As Payments Canada operates on a cost-recovery basis, revenues from members' fees are closely correlated with our cost base. In 2021, our revenues were significantly and adversely impacted by the COVID-19 pandemic as provincial governments throughout Canada responded to the pandemic by enacting strong public health measures that required people to stay at home and all non-essential business to shutter. These actions reduced consumer and business spending and had a downstream impact as Payments Canada experienced a concomitant drop in transaction volumes, which resulted in lower transaction fee revenue. This drop in revenue was greatest in the second quarter of the year and early into the third quarter. It was only late into the third quarter of 2021 that the first signs of recovery began to appear and gained momentum throughout the fourth quarter.

Our full year revenues totalled \$66.0 million, which was \$4.9 million (8%) above plan. The increased revenue amount relative to plan was due to the higher ACSS and Lynx/LVTS volumes as the economy rebounded in 2021. Ongoing travel and office restrictions continued to result in lower than planned

office and administration costs. Total 2021 expenses were \$76.9 million with no significant changes compared to the total amount spent in the previous year.

In 2021, as the Modernization program focused more directly on delivering Lynx, expenses totalled \$18 million for the entire Modernization program, with an additional \$57 million of Modernization-related costs reflected on our balance sheet in the form of intangible assets. These costs reflect the inclusion of Lynx Release Two and the Real-Time Rail program costs, which started being capitalized in early 2021.

While day-to-day operating costs for the current systems are primarily covered by the common service fee and system transaction fees, the costs associated with the Modernization program are being funded through debt financing. In 2021, a substantial part of the demand loan was converted to a long-term debt. The demand portion of the loan will continue to be used for financing the remainder of the Modernization program.

SELECTED ITEMS FROM THE STATEMENT OF FINANCIAL POSITION

SELECTED ITEMS	2021	2020
Cash & short term investments	52	59
Accounts receivable	18	15
Capital assets & intangible assets	172	118
Accounts payable & accrued liabilities	24	23
Demand and term loans	265	205

Payments Canada's statement of financial position continues to grow. Total Assets increased by \$50 million primarily as a result of the growth of the intangible assets (related to the development of our modernized payment systems – Lynx and the RTR) and investing additional funds that support the reserves required under the Principles for Financial Market Infrastructures and the Fee Stabilization reserves. The deficit in Modernization has put us into a net liability position, as planned. The deficit is temporary in nature and will diminish once modernized systems become operational and members are subsequently billed for their use.

Liabilities grew during the year, reflecting an increased draw on the demand loan facility attributable to the Modernization program. The debt financing of the Modernization program resulted in a term loan of \$191 million and an outstanding demand loan of \$74 million at the end of the year.



INDEPENDENT AUDITOR'S REPORT

To the Members of Payments Canada

OUR OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Payments Canada (the Company) as at December 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

WHAT WE HAVE AUDITED

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of operations for the year then ended;
- the statement of changes in net assets (liabilities) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
March 3, 2022

FINANCIAL STATEMENTS

For the year ended December 31, 2021

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2021 (in thousands of dollars)

ASSETS

CURRENT ASSETS	2021 \$	2020 \$
Cash	2,461	13,415
Short term investments (note 4)	49,438	45,531
Accounts receivable	17,501	15,335
Prepaid expenses	5,569	5,146
	74,969	79,427
Capital Assets (note 5)	4,602	6,910
Intangible Assets (note 6)	167,537	110,639
	247,108	196,976

LIABILITIES AND NET ASSETS (LIABILITIES)

CURRENT LIABILITIES	2021 \$	2020 \$
Accounts payable and accrued liabilities	23,863	23,226
Demand loans (note 8)	-	205,000
Deferred revenue	2,059	1,825
Current portion of Long-term Debt (note 8)	88,325	-
	114,247	230,051
Tenant Inducement	724	924
Employee Future Benefits (note 7)	1,968	1,843
Long-term Debt (note 8)	176,675	-
	293,614	232,818



NET ASSETS (LIABILITIES)	2021 \$	2020 \$
Unrestricted – Core	24,497	21,171
Unrestricted – Modernization	(116,096)	(98,033)
Internally Restricted	45,093	41,020
	(46,506)	(35,842)
	247,108	196,976

Commitments (note 9)

Approved by the Board of Directors

Harry Fitch Director *Tracy Blank* Director *Jim Guidan* Director

STATEMENT OF OPERATIONS

For the year ended December 31, 2021 (in thousands of dollars)

REVENUES	2021 \$	2020 \$
Fees	63,429	59,909
Conference	1,246	-
Other	1,351	979
	66,026	60,888
EXPENSES		
	2021 \$	2020 \$
Modernization program	18,063	28,722
Salaries and benefits	32,570	27,837
Technology and telecommunications	11,544	10,178
Projects	2,237	2,243
General administration	3,828	3,793
Amortization of capital assets	4,898	3,508
Professional services	3,694	4,475
Bank of Canada settlement services fee	900	900
Costs incurred for (recovered from) members	(841)	(1,217)
	76,893	80,438
Net expenses for the year	(10,867)	(19,550)

STATEMENT OF CHANGES IN NET ASSETS (LIABILITIES)

For the year ended December 31, 2021 (in thousands of dollars)

UNRESTRICTED	BALANCE – BEGINNING OF YEAR \$	NET REVENUE (EXPENSE) FOR THE YEAR \$	EMPLOYEE FUTURE BENEFITS REIMBURSEMENTS \$	TRANSFERS \$	BALANCE – END OF YEAR \$
Core operations	21,171	7,196	203	(4,073)	24,497
Modernization program	(98,033)	(18,063)	-	-	(116,096)
	(76,862)	(10,867)	203	(4,073)	(91,599)

INTERNALLY RESTRICTED	BALANCE – BEGINNING OF YEAR \$	NET REVENUE (EXPENSE) FOR THE YEAR \$	EMPLOYEE FUTURE BENEFITS REIMBURSEMENTS \$	TRANSFERS \$	BALANCE – END OF YEAR \$
Principles of Financial Market Infrastructure	20,558	-	-	4,073	24,631
Modernization program	10,573	-	-	-	10,573
Stabilization	9,889	-	-	-	9,889
	41,020	-	-	-	45,093
	(35,842)	(10,867)	203	-	(46,506)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021 (in thousands of dollars)

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2021 \$	2020 \$
Net expense for the period	(10,867)	(19,550)
Items not affecting cash		
Amortization of tenant inducement	(200)	(188)
Amortization of capital and intangible assets	4,898	3,508
Employee future benefits expense	360	300
Cash paid for employee future benefits	(32)	(23)
Net change in non-cash working capital items		
Accounts receivable	(2,166)	671
Prepaid expenses	(423)	3,155
Accounts payable and accrued liabilities	637	4,851
Deferred revenue	234	563
	(7,559)	(6,713)

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2021 \$	2020 \$
Purchases of short-term investments	(76,809)	(52,262)
Proceeds on sale of short-term investments	72,902	42,540
Purchases of capital assets	(1,067)	(1,373)
Purchases of intangible assets	(58,421)	(47,945)
	(63,395)	(59,040)

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2021 \$	2020 \$
Repayment of demand loans	(205,000)	(132,000)
Proceeds from demand loans	-	205,000
Proceeds from term loan	191,000	-
Proceeds from revolving loan	74,000	-
	60,000	73,000
Net change in cash for the year	(10,954)	7,247
Cash – Beginning of year	13,415	6,168
Cash – End of year	2,461	13,415





NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 (in thousands of dollars)

1. GENERAL INFORMATION

Canadian Payments Association, doing business as Payments Canada (“the Company”), was incorporated in 1980 by an Act of Parliament of Canada. The objectives of the Company are to:

- establish and operate national systems for the clearing and settlement of payments and other arrangements for the making or exchange of payments;
- facilitate the interaction of its clearing and settlement systems and related arrangements with other systems or arrangements involved in the exchange, clearing or settlement of payments; and
- facilitate the development of new payment methods and technologies.

The costs associated with Canada’s central automated facilities and telecommunications facilities of the national clearing and settlement systems are the responsibility of the Company. All other significant operating costs in relation to the information technology infrastructure relative to the actual clearing process are the responsibility of the member institutions.

The Company is funding the Modernization Program by way of bank financing as opposed to annual dues and fees from members. As a result, the Company is expected to operate in a deficit position over the period of time in which national payments infrastructure is being modernized. The Canadian Payments Act (“the Act”) and Finance By-Law made under the Act provide the Company with the authority to require its members to pay dues and fees.

The Company has elected to operate as a non-profit organization, under paragraph 149(1)(l) of the Income Tax Act and, as such, is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the year. Actual results could differ from these estimates.

Short term investments

Government of Canada treasury bills are measured at fair value, which approximates cost due to their short-term nature. Changes in fair value are recorded in the statement of operations.

Capital and intangible assets

Capital and intangible assets comprise both tangible and intangible assets and are initially recorded at cost. Amortization is provided on the basis of their useful lives using the straight-line method over the following durations:

Leasehold improvements	Over the term of the lease
Office furniture	5 years
Payment and corporate systems	3 – 5 years
Payments system (ACSS)	3 years

Modernization systems under development will not be amortized until substantially available for use.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset (or asset group) exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposal. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Impairments of long-lived assets are not reversed.

Tenant inducement

Tenant inducements are amortized on a straight-line basis over the terms of the leases and are included in general administration expenses in the statement of operations.

Employee future benefits

The Company provides a life and health insurance plan to its employees subsequent to their retirement.

The Company accrues its obligations and related costs for employee future benefits as the employees render the service necessary to earn retirement benefits. As these benefits are unfunded, the obligation is measured using an actuarial valuation prepared for accounting purposes, which incorporates management's assumptions used for cost escalation, average ages of employees and other actuarial factors. The actuarial valuation is performed at least every three years. In the years between valuations, plan results are prepared based on extrapolations of the latest available actuarial valuation results.

The benefit plan expense for the year consists of the current service and interest costs. Remeasurements and other items are recognized directly in the statement of changes in net assets (liabilities).

Revenue recognition

Fees are recognized as revenue as transactions are processed.

Common service fees are recognized as revenue proportionately over the year to which they relate. Fees received in advance of the related fiscal year are recorded as deferred revenue.

Revenues from conferences are recognized in the year the conference takes place.

3. FINANCIAL RISKS

Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at fair value and subsequently measures its financial assets and financial liabilities at amortized cost, except for short-term investments and derivative financial instruments, which are measured at fair value. Financial assets and liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, demand loans and long-term debt.

Impairment

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired. If the Company determines there has been a significant adverse change in the expected amount or timing of future cash flows, the carrying amount of the asset is reduced to the higher of the expected cash flows expected to be generated by holding the asset, discounted using a current market rate of interest, and the amount that could be realized by selling the asset at the balance sheet date.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at each statement of financial position date. Changes in fair value are recorded in net expenses for the year. The Company enters into interest rate swaps to allow for more certainty on the floating component of the interest due on the term loan. The Company has not adopted hedge accounting.

Credit risk: Credit risk represents the extent of credit related losses the Company may be subject to on amounts to be received from financial assets. The Company's exposure to credit risk is as indicated by the carrying values of its current assets of approximately \$75 million (2020 – \$79 million). Any cash held by the Company is on deposit with a Schedule 1 financial institution. Excess cash, as presented in short-term investments, is placed in treasury bills with Canadian financial institutions.

The Company's exposure to credit risk resulting from uncollectible accounts is influenced by the individual characteristics of its customers, many of which are banks and financial institutions. The Company invoices its customers on a regular basis and monitors overdue receivables. There is no concentration of credit risk arising from trade receivables from a single customer. In addition, customers that fail

to maintain their account in good standing risk loss of access to the national clearing and settlement systems, and other services which would be detrimental to their business operations.

Market risk: Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The Company is exposed to interest rate risk.

Interest rate risk: Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the enterprise to fair value risk, while floating rate instruments subject it to cash flow risk. As at December 31, 2021, the Company's exposure to interest rate risk is as follows:

- **Short-term investments:** the Company's holdings in treasury bills are exposed to interest rate risk. However, given the short-term duration of these instruments, and the stable interest rate environment, the Company does not consider the risk to be significant (note 4).
- **Demand loans:** The Company's demand loans are subject to variable interest rates, therefore, fluctuations in market rates could have an impact on the Company's interest rate expense. However, given the short-term duration and anticipated stable interest rate environment, the Company does not consider the risk to be significant.
- **Long term debt:** The Company's revolving and term loans are subject to floating and fixed interest rates (note 8).

Liquidity risk: Liquidity risk is the risk the Company may be unable to meet short-term, financial demands. This can arise when liquid assets are insufficient to meet the Company's current obligations.

The Company needs liquidity primarily for operating expenses and capital expenditures. The Company manages liquidity risk closely and borrows from a syndicate of members, as there is a mutual interest for both the Company and the member banks in doing so. Loan repayments will begin as the modernized systems go live.

The Company has created and manages cash reserves to ensure stability in its member fees and allows it to have sufficient liquidity to meet its account payable and accrued liabilities. Demand loans are arranged with member banks to ensure capital investments are made to upgrade the clearing and settlement systems and support the sustainability of an efficient infrastructure for its members.

4. SHORT TERM INVESTMENTS

Guaranteed investment certificates bear interest at fixed rates ranging from 0.064% to 0.620% (2020 – 0.080% to 1.600%), and mature in 2022 (2020 – in 2021).

5. CAPITAL ASSETS

CAPITAL ASSETS	COST \$	ACCUMULATED AMORTIZATION \$	NET \$ 2021	NET \$ 2020
Leasehold improvements	4,415	2,755	1,660	2,285
Office furniture	2,310	1,796	514	753
Payment and corporate systems	17,967	15,539	2,428	3,872
	24,692	20,090	4,602	6,910

Cost and accumulated amortization amounted to \$23,625 and \$16,715, respectively as at December 31, 2020.

6. INTANGIBLE ASSETS

INTANGIBLE ASSETS	COST \$	ACCUMULATED AMORTIZATION \$	NET \$ 2021	NET \$ 2020
Payment system (ACSS)	4,568	1,523	3,045	4,810
Modernization systems under development	164,492	-	164,492	105,829
	169,060	1,523	167,537	110,639

Cost and accumulated amortization amounted to \$110,639 and \$0, respectively as at December 31, 2020.

7. EMPLOYEE FUTURE BENEFITS

The most recent valuation date was December 31, 2021. Extrapolations of the actuarial valuation indicated an accrued benefit liability of \$1,968 (2020 – \$1,843).

As the plan is unfunded, this amount is recorded as an employee future benefits liability in the statement of financial position.

Significant assumptions:

EMPLOYEE FUTURE BENEFITS	2021 %	2020 %
Discount rate	3.30	2.90
Health care cost trend rates: Hospital, dental, other medical	4.00	4.00
Drugs, grading down to 4.00% per annum in 2040	6.05	6.16

8. LONG-TERM DEBT

LONG-TERM DEBT	2021 \$	2020 \$
Demand loans (a)	-	205,000
Revolving demand portion (b)	74,000	-
Term portion (c)	191,000	-
	265,000	205,000
Less: Demand loans	-	205,000
Less: Current portion of Long-term Debt	88,325	-
	176,675	-

- (a) The Company has an authorized credit facility, secured up to \$250,000,000, which is being drawn down by way of bankers' acceptance notes with minimum terms of 90 days. On July 13, 2021, the Company converted the existing demand loan (2020 – 0.49% and mature in 2021) into term and revolving facilities, and increased the borrowing limit to \$350,000,000.
- (b) A revolving loan in the amount of \$159,000,000 is available by way of bankers' acceptances. As at December 31, 2021, a \$74,000,000 bankers' acceptance was issued under this loan with a fixed interest rate of 1.0575%, maturing January 13, 2022.
- (c) The Company obtained a term loan, in July 2021, repayable in quarterly payments of \$4,775,000 starting on June 30, 2022, with the remaining principal due in March 2032. Interest payments on the term loan, started in December 2021 at a floating rate of CDOR plus 0.60%.

The Company entered into an interest rate swap during the year to mitigate interest rate risk. While the CDOR rate has been fixed for the duration of the ten year amortization period of the term loan, there remains repricing risk on the term loan with respect to the 60 bps spread component of the interest rate, which will be subject to renegotiation following the expiry of the five year term.

The following tables summarize the commitment to allow for more certainty on the floating component of the interest due on the term portion loan as at December 31, 2021. No such commitment existed in 2020.

NOTIONAL AMOUNT	INTEREST RATE	MATURITY	FAIR VALUE
\$191,000,000	1.75%	March 31, 2032	\$726,888

Fair value of the above derivative instrument has been determined using broker quotes from a derivatives dealer. The change in fair value has been recognized as a gain in other revenue and the fair value of the swap included in accounts receivable.

The aggregate minimum amount of loan principal payments required in each of the next five years and thereafter is as follows:

2022	88,325
2023	19,100
2024	19,100
2025	19,100
2026	19,100
Thereafter	\$ 100,275

9. COMMITMENTS

The Company is committed to minimum payments under long-term operating leases for the rental of premises, infrastructure services and office equipment as follows:

YEARS	\$
Years ending December 31, 2022	16,460
2023	15,155
2024	14,350
2025	14,064
2026	7,454

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