



**PAYMENTS
CANADA**

2022 ANNUAL REPORT

**FACILITATING
DATA-RICH PAYMENTS**

TABLE OF CONTENTS

3	About this report
4	Message from Payments Canada's Board of Directors Chair
5	Message from Payments Canada's President and CEO
6	Report from the Member Advisory Council Chair
7	Report from the Stakeholder Advisory Council Chair
8	2022 top achievements
10	Who we are
12	Governance
22	Clearing and settlement system statistics
25	2022 in review
28	Our people
29	Risk management: program and governance
31	2022 performance at a glance
33	2023 Corporate Plan
34	Summary of financial operations
36	Independent auditor's report
38	Financial statements

#OURSTORIESIN2022

- 9** Joint letter to the Minister of Finance on changes to *Canadian Payments Act*
- 14** Alarming gap in working Canadians' understanding around paycheque details, reveals new Payments Canada study
- 21** Payments Canada announces Peoples Trust Company as new Direct Clearer on the Automated Clearing Settlement System
- 24** Introducing ISO 20022 to Lynx: what it means for high-value payments in Canada
- 26** Amendments to rule H1 facilitate pre-authorized debit (PAD) user experience



ABOUT THE 2022 ANNUAL REPORT: FACILITATING DATA-RICH PAYMENTS

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 end users.

We hope you learn more about our organization and our successes and challenges in 2022. 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 Haudenosaunee, the Huron-Wendat and home to many diverse Indigenous peoples.



Garry Foster

Payments Canada Chairperson
Board of Directors

MESSAGE FROM PAYMENTS CANADA'S BOARD OF DIRECTORS CHAIR

The year 2022 was a time of great change in the payment landscape in Canada. We could thankfully resume in-person meetings. This strengthened our collective goal to safely and securely operate our current systems, while enabling innovation and competition with the development of new payment systems.

We continued to thrive notwithstanding the effects of the ongoing pandemic, with strong risk management and security measures. We witnessed a cross-Canada telecommunications outage in the summer, which caused debit payments to be unavailable, an unprecedented occurrence with lasting impacts on the future of digital payments. Swift, following EU law and imposing sanctions against Russia once again brought payments to the global forefront. These are only a few incidents from 2022 that reinforce that payments matter now more than ever.

Progress continues on the modernization of our systems as we prepare for the official launch of Lynx Release Two and continue our development of the Real-Time Rail (RTR). The decision to revise the RTR launch date was a difficult but necessary one and, with

the aligned support of our technology partners and stakeholders, I am confident that Canada's first real-time payment system will bring the needed benefits for Canadian consumers and businesses and better position Canada in the global economy.

Payments Canada's research revealed the recent growth in Canada's payment market, representing a rebound to pre-pandemic levels. Additionally, digital payment usage continues to accelerate while cash usage declines, demonstrating a long-term shift in Canadians' payment preferences. To keep up with the ever-evolving payment landscape, Payments Canada must be flexible, proactive and able to anticipate the needs of Canadians.

The payment industry will continue to evolve, and collaboration amongst all of the players is crucial if we are to truly embrace the change and the future. Legislative support from our government and regulators is the key that unlocks the potential for more payment competition and innovation in Canada, ultimately providing faster, smarter and safer payments for consumers and businesses alike.

Thank you to Tracey Black for her continued leadership and dedication to keeping the many players we work with focused and aligned. Payments Canada has delivered some impressive outputs this past year, and Tracey plays a critical role in ensuring we continue to be set up for success.

I'd like to thank the members of our Member Advisory Council, Stakeholder Advisory Council and everyone involved in our committees for their guidance and support in helping us advance the vision for modern payments in Canada.

I also want to thank my fellow members of the board, including our outgoing directors John Landry, Kevin Patterson and Susan Doniz for their many contributions over the course of their respective terms. I'm pleased to welcome Sean Goldrick, Jennifer Hawkins and Dr. Anju Virmani to the board and look forward to the range of diverse perspectives and insight they will contribute.

The role of Payments Canada is unique, and the people of Payments Canada understand our work impacts every Canadian. On behalf of myself and the rest of the board, I'd like to thank our outstanding team at Payments Canada for another great year. We all want payments that are easier, smarter and faster for Canada, and we will continue to work together to attain that goal.

I'm optimistic about what the future holds for Payments Canada, and excited to see the ways in which this organization will continue to strive to be a global leader in payments.

MESSAGE FROM PAYMENTS CANADA'S PRESIDENT AND CEO

When I reflect on 2022, it was a year that was more familiar, yet different. Payments Canada continued to prioritize employee well-being and remained strongly committed to fostering an environment where employees feel they can bring their best, true selves to work.

We formalized our hybrid work environment and welcomed employees to return to the office on a schedule of their choosing. We held all-staff events for the first time in over two years, and took time to acknowledge how much, and how little, changed over the pandemic. We achieved the year one objectives of our Diversity, Equity and Inclusion (DEI) strategy, and identified sustainability as an area of focus for 2023.

Payments Canada demonstrated operational excellence in 2022, and our teams ensured that Canada's payment systems operated safely, securely and reliably. Lynx, Canada's high-value payment system, celebrated its first anniversary in August. Payments Canada and Lynx participants are well-prepared for the introduction of the ISO 20022 message standard in March 2023, in line with **Swift's global migration to the standard**. Over the course of 2022, Payments Canada implemented a number

of amendments to our rules to create efficiencies for businesses and consumers, including **updating Rule H1 to enhance the pre-authorized debit (PAD) user experience**. We commenced discussions on the future of batch payments for Canada, and will continue with a broad range of industry participants in 2023.

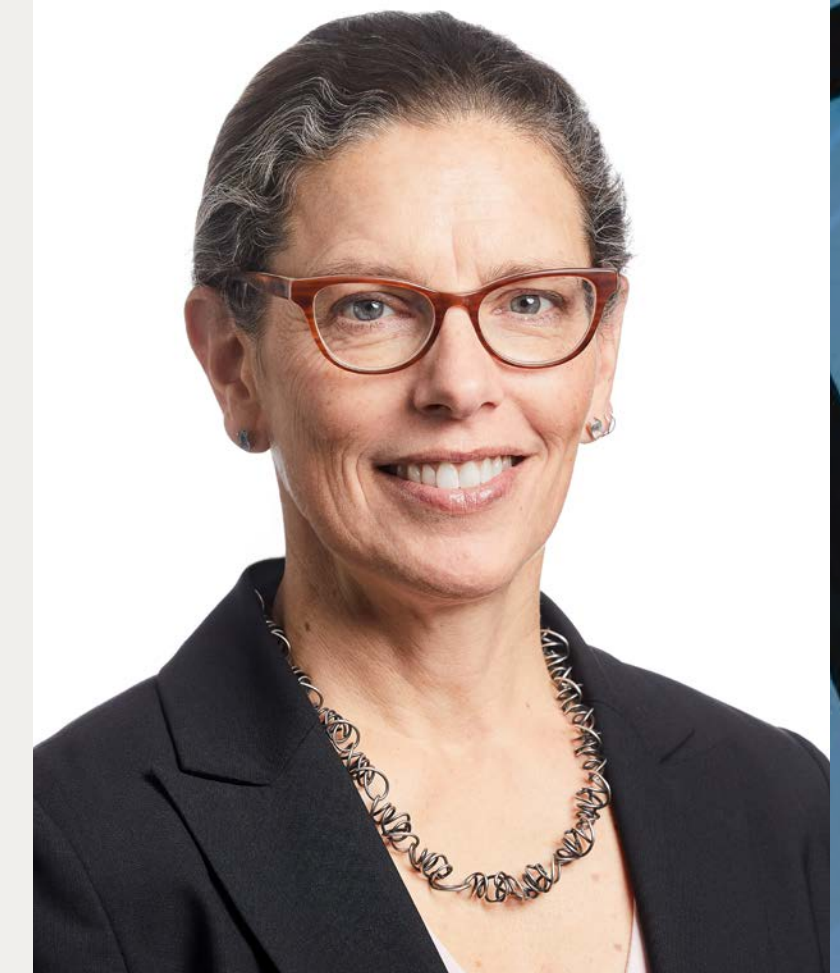
In October, we determined the need for revised launch timing for the Real-Time Rail (RTR). An extension in the delivery date will provide additional time to validate and test the RTR. The new launch date will be publicly announced once confirmed. In the meantime, activities in other workstreams, including the delivery of the legal framework, are ongoing.

Broader access to Payments Canada's systems is key to supporting competition and innovation within our ecosystem. In 2020, regulatory changes were introduced that allowed for a broader range of direct participants on the ACSS, Canada's retail batch payment system. In 2022, People's Trust Company was approved and onboarded as a direct clearer on the ACSS. Direct participation allows Peoples Trust to exchange and clear payment items on their own behalf and effect settlement directly with the Bank of Canada. In 2022, Wealthsimple Investments Inc. was the first ever non-bank or credit union to ever be granted approval for a settlement account at the Bank of Canada. These examples demonstrate meaningful progress towards broader access.

In 2022, Payments Canada advocated strongly for changes to the *Canadian Payments Act* to support broader membership. In December, we authored and published a **letter in conjunction with the industry** that requested that the Department of Finance amend the *Canadian Payments Act* to expand membership to our systems. We are hopeful to see changes to the *Canadian Payments Act* in 2023.

I'd like to acknowledge and thank Payments Canada's Board of Directors, the Member Advisory Council (MAC) and the Stakeholder Advisory Council (SAC) for their guidance this past year. Thank you also to our regulators, members, stakeholders, committees and international partners for your support and engagement. I'm looking forward to 2023 and all that our ecosystem will achieve, together.

Lastly, I want to extend my sincere thanks to the people of Payments Canada. Our success is a result of your passion, enthusiasm and commitment to our public purpose mandate. Thank you.



Tracey Black

Payments Canada
President and CEO



Derek Vernon

Payments Canada Chairperson
Member Advisory Council

REPORT FROM THE MEMBER ADVISORY COUNCIL CHAIR

The momentum we've seen with digital innovation and payments disruption continued through 2022 while consumers and businesses also had to navigate supply chain challenges and the ongoing economic uncertainty that we typically see in a rising interest rate environment.

However, the future looks bright! There was great progress in 2022 on Payments Canada's Modernization program with the successful delivery of Lynx and the build of the Real-Time Rail (RTR).

The Lynx program continued to highlight how Canada's financial ecosystem can collaborate and execute large, complex and transformational initiatives successfully. In October of 2022, Swift officially announced a delay in the global migration of ISO 20022 from November 2022 to March 2023. This decision was driven by the need to align the start of the global ISO 20022 migration for cross-border payments and reporting (CBPR+) with the European Central Bank's updated timetable to ease implementation. While Payments Canada and Lynx participants were ready to deliver Lynx Release Two on time, it was decided – in collaboration with Lynx participants, Payments Canada and the Bank of Canada – to reschedule the go-live of Lynx Release

Two (the activation of Swift MX payment messages) from November 21, 2022, to March 20, 2023, to align with Swift's revised implementation date. These recent events exemplified the agility that can occur when all stakeholders come together to solve problems.

Over 2022, members also spent considerable time engaged in key initiatives to support continued payment innovation, domestic ISO 20022 adoption and increased competition in the market predominantly surrounding the RTR. Despite strong engagement across the RTR program, including close collaboration from member financial institutions and RTR stakeholders (including regulatory and delivery partners), it was unfortunate but necessary that Payments Canada had to propose a significant delay and re-plan for a new launch date. Members remain focused on RTR Release One and continue to reinforce the need for strong project governance and adherence to current scope.

With upcoming consultations expected on the *Canadian Payments Act* and the *Retail Payment Activities Act* (RPAA), in 2022 members continued to support the expansion of Payments Canada's membership to drive competition and innovation with the appropriate measures in place to manage risk and maintain the financial stability, resilience and security that exists today. In late 2022, a diverse group of Canadian payment ecosystem members and stakeholders signed a joint letter calling for broader access to Canada's payment systems. This exemplified the teamwork and achievements that can be accomplished together as an ecosystem.

As work continued on future enhancements to the Automated Clearing Settlement System (ACSS), Payments Canada's retail batch system, members are eager to participate and engage more formally in 2023 and provide feedback on how the ACSS can meet the standards for its prominent payment system designation.

The payment industry continued to experience impacts from the COVID-19 pandemic and scarcity of staffing resources. Payment knowledge and expertise was and remains in high demand globally and we continued to see high staffing turnover. Looking ahead, it is important that the industry remains vigilant in prioritizing work and evaluating ways to maximize the investments already undertaken.

In closing, Payments Canada can continue to count on its members to provide strong support and advice on those initiatives that drive the Canadian financial system and economy forward.

We remain proud of the progress to date and are encouraged by the momentum. We are committed to working in partnership with Payments Canada, regulators, and industry stakeholders to ensure we continue to make a meaningful, positive difference for Canadian businesses and consumers.

REPORT FROM THE STAKEHOLDER ADVISORY COUNCIL CHAIR

The Stakeholder Advisory Council (SAC) provides advice and counsel 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.

The past year has been another important phase – albeit with challenges – on the journey to payment modernization. SAC has been active in working with Payments Canada to pursue the implementation of modernization with a particular focus on the RTR. This has included working with a number of Payments Canada’s committees and financial institution representatives that participate on the Member Advisory Council (MAC).

The RTR’s structure and rollout are key issues for stakeholders. Unfortunately, in addition to further RTR delays, the planned RTR release will not encompass everything that stakeholders have asked for or need. Notably, key stakeholder asks, such as request-to-pay functionality and an alias directory, are not being addressed at this time. SAC, therefore, has significant concerns.

Nevertheless, SAC remains committed to actively working for the stakeholder communities it represents, and for stakeholders generally, in continuing to advocate for timely and meaningful modernization, including through the implementation of an RTR that will meet stakeholder needs. As part of this, competition is an important element. SAC, for instance, supports efforts to expand eligibility for Payments Canada membership.

ISO 20022 continues to be a focus for SAC. There is a need for greater consistency in the provision of ISO 20022 data – specifically remittance data across the various payment schemes (Lynx and the RTR), its availability to end users and when this data will be made available. SAC would also like the transition period end date for Lynx remittance data to coincide with the go-live date for the RTR.

SAC has also been active in other important areas. For example, work has been prioritized on the future of batch and bill payments, centralized services, recourse and exception management and inclusion. The work will continue in the coming year, including the development of the council’s positions.

The pandemic has made it challenging to have in-person engagement, including with MAC. SAC is pleased that the councils have been able to resume in-person meetings over the past year, which allowed for a joint meeting of the councils as well. In addition, there was the creation of a subgroup that included participation with MAC

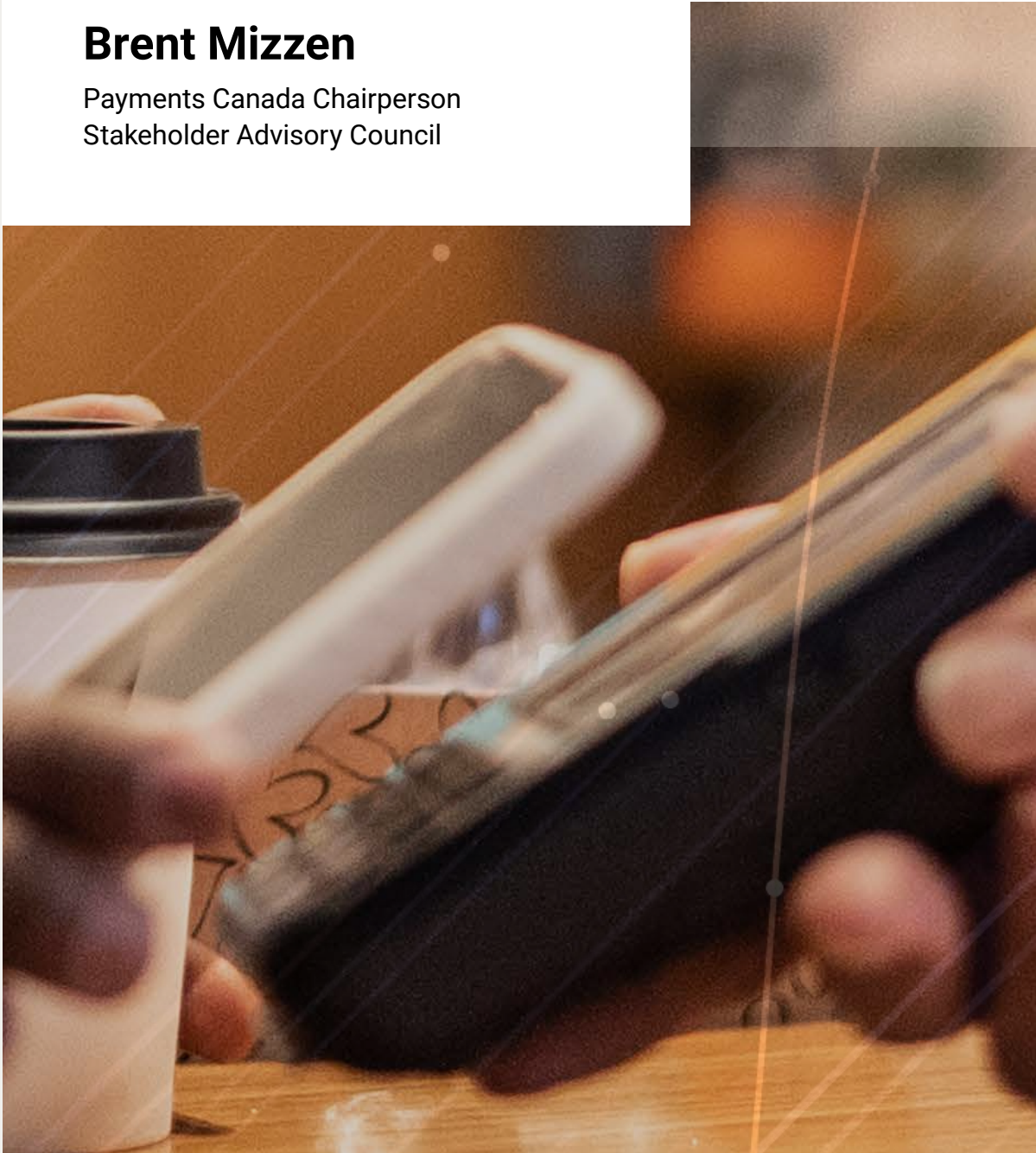
members. These are valuable opportunities for SAC to be able to share its views and understand the perspectives of MAC. Ultimately, these engagements provide a more fulsome overall perspective that benefits each council, along with Payments Canada. SAC looks forward to building on these engagements with MAC over the coming year.

In 2023, SAC will remain focused on supporting Payments Canada’s efforts to build a modern, innovative and competitive payment ecosystem that provides access and support to all Canadians. To this end, SAC will prioritize work efforts related to Payments Canada’s Modernization program, including advocating for a robust RTR. SAC will also be engaged on key policy issues as these arise, such as providing input to: the review of the *Canadian Payments Act* in regard to membership reform, discussions on open banking/finance and the development of a rules review process.

SAC looks forward to continued collaboration with interested parties to ensure there is continued progress and momentum in payment modernization to benefit all Canadians.



Brent Mizzen
Payments Canada Chairperson
Stakeholder Advisory Council



2022 TOP ACHIEVEMENTS

In 2022, Payments Canada's systems cleared and settled over \$119 trillion – more than \$476 billion every business day.

The value of payments cleared and settled in our systems has seen a dramatic increase since Q2 2022 due to the Bank of Canada's quantitative easing measures put in place in response to the pandemic. During 2022, the value of payments cleared and settled in our systems has decreased as the Bank removed some of this stimulus as part of its quantitative tightening measures. In 2023 and beyond, Payments Canada expects the value cleared through our systems to continue to decrease as the Bank's quantitative tightening continues.

DELIVERED enhancements to Lynx, our new high-value payment system launched in 2021. We created **Lynx** and **RTR** ISO 20022 messages to support data-rich payments that are domestically and globally interoperable. We **amended Rule H1** to make pre-authorized debit agreement obligations easier to understand and to enhance the user experience. Through our research on topics such as **pay statements** and **emerging payment methods**, we continued to identify areas to better educate Canadians on payments.

OPERATED AND ENHANCED our website, **payments.ca**, through a technical rebuild to ensure that it continues to be technically supported, secure, user-friendly and accessible. We reinforced our commitment to advance equity, diversity and inclusion in our workplace with the implementation of the first year of our Diversity, Equity and Inclusion (DEI) Strategy, and introduced more robust measures to track our progress toward our goals and desired outcomes.

FACILITATED an enhanced and collaborative member and stakeholder engagement experience through **onboarding a new direct clearer, Peoples Trust Company**, on the ACSS; a first since the system's launch in 1984. We connected the ecosystem through **The SUMMIT**, our annual conference, and The SUMMIT Series, a virtual forum dedicated to discussions about relevant payment topics and trends. We called on the Government of Canada to **amend the Canadian Payments Act** in order to help us expand our membership eligibility and encourage greater competition and innovation in the payment ecosystem.

SYSTEMS AVAILABILITY RATE:

ACSS availability rate:

99.89%

Lynx availability rate:

99.98%

CSN availability rate:

100%

#OURSTORIESIN2022

JOINT LETTER TO THE MINISTER OF FINANCE ON CHANGES TO *CANADIAN PAYMENTS ACT*

PUBLISHED DECEMBER 19, 2022



The payment industry in Canada and abroad is in the midst of transformational change.”

Leading financial organizations have signed a joint letter calling for broader access to Canada’s payment systems.

Payments Canada has engaged a diverse coalition of organizations, including members and non-members, from across the payment industry to make a collective request of the federal government: to make amendments to the *Canadian Payments Act* part of Budget 2023 to expand Payments Canada’s membership eligibility.

Expanding Payments Canada membership to include local credit unions, RPAA-registered payment service providers and financial market infrastructure entities that meet the

appropriate requirements will encourage greater competition and innovation, while maintaining the safety and soundness of Canadian payments. Broader access will support the introduction of new participants in Canada’s payment system, and provide greater choice for Canadians and Canadian businesses in addressing their payment needs.

[Read the joint letter](#) 



WHO WE ARE

Payments Canada is a public purpose organization that owns and operates Canada’s payment clearing and settlement systems, Lynx and the ACSS. Payments Canada is responsible for the physical infrastructure and the associated by-laws, rules, and standards that support these systems. Payments Canada has a duty to promote the efficiency, safety, and soundness of Canada’s core payment systems while taking into account the interests of end users.

OVERSIGHT

Payments Canada owns and operates systemically important and prominent payment financial market infrastructures (FMIs) – Lynx, and the ACSS, and is regulated by the Bank of Canada and the Department of Finance. To learn more about the Bank’s oversight of FMI systems, please read the Bank of Canada’s ***Oversight Activities for Financial Market Infrastructures*** report.

OUR MANDATE

Payments Canada's legislated mandate, as set out in the **Canadian Payments Act**, includes the following objectives:

- 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.
- Facilitate the development of new payment methods and technologies.

In fulfilling its mandate, Payments Canada is guided by the public policy objectives of promoting the efficiency, safety and soundness of its clearing and settlement systems and taking into account the interests of users. You can learn more about our mandate by visiting the **Who we are** page on our website.

OUR PURPOSE

We make payments easier, smarter and safer for all Canadians.

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 2022, our corporate plan focused on three activities:

DELIVER

projects that modernize the Canadian payment systems.

OPERATE AND ENHANCE

current systems.

FACILITATE

the payment ecosystem.

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

GOVERNANCE

PAYMENTS CANADA'S BOARD OF DIRECTORS

Under the leadership of the Chair of Payments Canada's Board of Directors, our 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 Payments Canada's Stakeholder Advisory Council (SAC) and Member Advisory Council (MAC).

In 2022, the board recognized the contributions of and said goodbye to the following board members: Susan Doniz, John Landry and Kevin Patterson. We welcomed two new member directors, Sean Goldrick and Jennifer Hawkins in June and one independent director, Anju Virmani, in December.



BOARD OF DIRECTORS:

Garry Foster (Chair), Stéphane Achard, David Barnard (Deputy Chair), Tracey Black (President and CEO), Sean Goldrick, Saigin Govender, Jennifer Hawkins, Susan Hawkins, Rob Paterson, Fariba Rawhani, AnneMarie Ryan, John Sheridan, and Anju Virmani.

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.



ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2023

Garry Foster – Independent Director

Susan Hawkins – TD Bank

Rob Paterson – CS Alterna Bank

John Sheridan – Independent Director

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2024

Stéphane Achard – National Bank of Canada

Saigin Govender – Independent Director

Fariba Rawhani – Independent Director

AnneMarie Ryan – Independent Director

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2025

David Barnard – Independent Director

Sean Goldrick – Wells Fargo Bank

Jennifer Hawkins – Bank of Montreal

Anju Virmani – Independent Director

BOARD COMMITTEES

There are **four board committees** that met their objectives as outlined in their terms of reference and annual work plans. These committees assist the board of directors in fulfilling its responsibilities:



Audit and Finance Committee (AFC)



Governance and Nominating Committee (GNC)



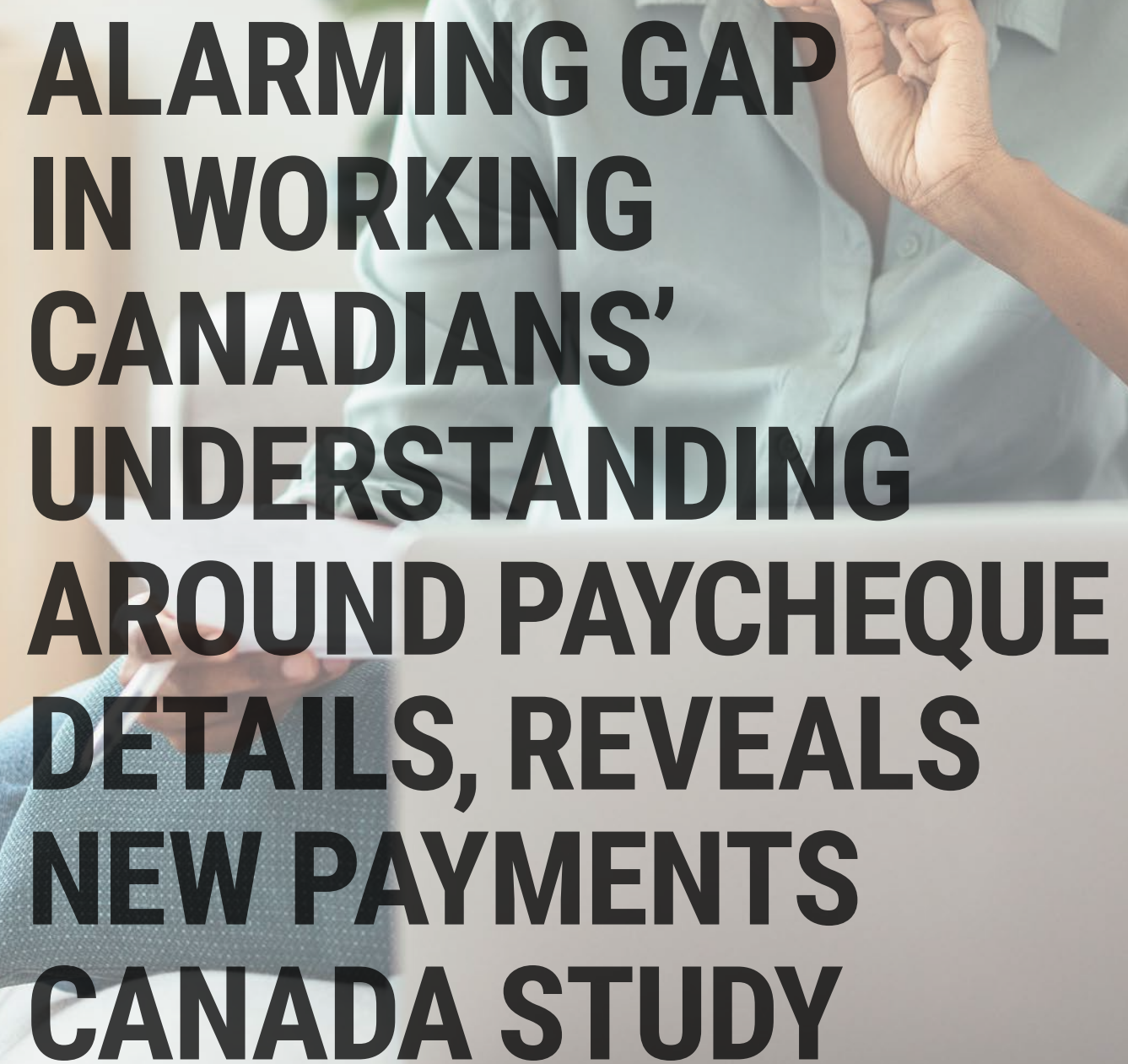
Human Resources and Compensation Committee (HRCC)



Risk Committee

In September 2022, a temporary RTR Program Advisory Committee was established to provide advice and guidance on the Real-Time Rail program until the system goes live.

#OURSTORIESIN2022



ALARMING GAP IN WORKING CANADIANS' UNDERSTANDING AROUND PAYCHEQUE DETAILS, REVEALS NEW PAYMENTS CANADA STUDY

PUBLISHED: AUGUST 9, 2022



Nearly half (46%) of Canadians say they pay more attention to the weather than their paycheque details; 38% unlikely to spot an employer's pay discrepancy."

With around \$971 billion paid in annual wages and benefits to Canadians, and a complex and evolving array of deductions, it's inevitable that on occasion mistakes and discrepancies can happen.

According to new research commissioned by Payments Canada, many working Canadians do not feel well-equipped in understanding their pay statements with 38% who think it is unlikely they would catch any discrepancies.

For many, reviewing their employee payment information is intimidating (35%) but the prospect of asking their employer to explain their pay statement is uncomfortable or embarrassing (23%). The newly released research reveals a number of trends and insights around how employed Canadians receive their paycheque and their approach to making sense of their pay.

[Read more](#) 

BOARD AND COMMITTEE ATTENDANCE

January to June (before annual meeting of members) 2022

MEMBER	MEMBER SINCE	BOARD	AFC	GNC	HRCC	RISK COMMITTEE
Number of meetings		4	2	2	3	2
Director attendance						
G. Foster – Chair	June 17	4	2	2	3	2
S. Doniz – Deputy Chair	May 16	4	n/a	n/a	3	n/a
S. Achard	June 21	4	n/a	n/a	2	n/a
D. Barnard	May 16	4	n/a	2	n/a	n/a
T. Black	March 20	4	n/a	n/a	n/a	n/a
S. Govender	June 21	4	n/a	2	3	n/a
S. Hawkins	June 20	4	2	n/a	n/a	2
J. Landry	June 19	4	2	n/a	n/a	n/a
R. Paterson	June 20	3	n/a	2	n/a	2
K. Patterson	June 19	1	n/a	2	2	n/a
F. Rawhani	June 21	4	2	n/a	n/a	2
AM. Ryan	June 21	4	n/a	2	n/a	2
J. Sheridan	June 20	4	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 board committee meetings up to and including June.

June (following annual meeting of members) to December 2022

MEMBER	MEMBER SINCE	BOARD	AFC	GNC	HRCC	RISK COMMITTEE
Number of meetings		2	2	2	2	2
Director attendance						
G. Foster – Chair	June 17	2	2	2	2	2
D. Barnard – Deputy Chair	May 16	2	2	1	2	n/a
S. Achard	June 21	1	n/a	n/a	0	n/a
T. Black	March 20	2	n/a	n/a	n/a	n/a
S. Goldrick	June 22	2	2	n/a	2	n/a
S. Govender	June 21	2	n/a	2	2	2
J. Hawkins	June 22	2	n/a	2	n/a	n/a
S. Hawkins	June 20	2	0	n/a	n/a	0
R. Paterson	June 20	1	n/a	1	n/a	1
F. Rawhani	June 21	2	2	n/a	2	n/a
AM. Ryan	June 21	2	n/a	2	n/a	2
J. Sheridan	June 20	2	2	n/a	n/a	1
A. Virmani**	December 22	1	n/a	n/a	n/a	n/a

** Susan Doniz resigned from the board before the September 2022 meetings and Anju Virmani was elected before the December 2022 meeting to replace Susan Doniz.

Note: since board committees meet at least one day before the board meetings, the attendance above is for board committee 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 and Chief Executive Officer



Peter Dodic
Chief Risk Officer



Kristina Logue
Chief Financial Officer



Shawn Van Raay
Chief Information Officer

MEMBER ADVISORY COUNCIL

Our 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. The Council is broadly representative of the diversity of the membership of Payments Canada. MAC provides advice to the board of directors on clearing and settlement systems – the way these systems interact with other systems in the exchange, clearing or settlement of payments – and in the development of new payment technologies.

APPOINTED UNTIL JULY 2023

Bank of America – Leslie Konecny

Bank of Montreal – Derek Vernon

Central 1 – Sue Whitney

Canadian Imperial Bank of
Commerce – Chris Sweetland

JPMorgan Chase, National
Association – Marilu Gaudio
(replacing Matthew Parker-Jones)

Peoples Trust Company –
Cyrielle Chiron

PNC Bank – Eric Bauer

APPOINTED UNTIL JULY 2024

ATB Financial – Ryan Rabin

Bank of Canada – Ian Christensen

Community Trust (formerly
Questrade) – Christine Day

Desjardins – Martin Tardif

HSBC – Jude Leclerc

National Bank – Patrice Roy

Royal Bank of Canada –
Lisa Lansdowne-Higgins

APPOINTED UNTIL JULY 2025

Citi – John Landry

Laurentian Bank of Canada –
Adam Swinemar

The Bank of Nova Scotia –
Dougal Middleton

The Toronto Dominion Bank –
Christine Hunter

Wealthsimple Investments Inc. –
Hanna Zaidi

Wells Fargo – Sarah Gainey

2022 MAC MEETING ATTENDANCE

Council members are appointed through a process involving a nominating committee and are 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	6/6	Leslie Konecny
Bank of Canada	6/6	Ian Christensen
Bank of Montreal	6/6	Derek Vernon
Canadian Imperial Bank of Commerce	6/6	Chris Sweetland <i>Jason Behamdouni*</i>
Central 1	6/6	Sue Whitney
Citi	6/6	John Landry
Coast Capital Credit Union**	2/3	Nancy McNeill
Community Trust	4/6	Christine Day
Equitable Bank**	3/6	Kartik Kamat
HSBC	6/6	Jude Leclerc
JPMorgan Chase, National	6/6	Matthew Parker-Jones
Desjardins	6/6	Martin Tardif <i>Patrice Dagenais*</i>
Laurentian Bank of Canada**	3/3	Adam Swinemar
National Bank of Canada	6/6	Patrice Roy
Peoples Trust Company	5/6	Cyrielle Chiron <i>John Pals*</i>
PNC Bank	4/6	Eric Bauer
Royal Bank of Canada	6/6	Lisa Lansdowne-Higgins
The Bank of Nova Scotia	6/6	Dougal Middleton
The Toronto Dominion Bank	6/6	Christine Hunter
Wealthsimple Investments Inc.**	3/3	Hanna Zaidi
Wells Fargo	6/6	Sarah Gainey



2022 PAST MEMBER ADVISORY COUNCIL MEMBERS

MEMBER	MEETINGS ATTENDED (OR DELEGATE)	NAMED REPRESENTATIVE
Canadian Imperial Bank of Commerce	5/5	Jason Behamdouni
Desjardins	0/4	Patrice Dagenais
Peoples Trust Company	4/5	John Pals

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

** indicates an organization that changed during the year.

STAKEHOLDER ADVISORY COUNCIL

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. The SAC also identifies issues that might concern payment system users and service providers and suggests how issues could be addressed.

APPOINTED UNTIL MARCH 31, 2023

AscendantFX Capital – Dan Caputo

Canadian Federation of
Independent Business –
Jasmin Guénette

KOHO – Damier Xandrine

Microsoft – Tracy Lagasse

Ministry of Finance, Government
of BC – Jean Hope

PayPal Canada – Sarvesh Kulkarni

APPOINTED UNTIL MARCH 31, 2024

Canadian Life and Health
Insurance Association –
Brent Mizzen

Dye & Durham – Mark DiFilipo

Fiserv – Vacant

Prosper Canada – Liz Mulholland

Receiver General for Canada,
PSPC – Lucie Séguin

Square – Grace Jung

WestJet – Nykol Kroeker

APPOINTED UNTIL MARCH 31, 2025

Cadillac Fairview – Alvin Chan

Consumers Council of Canada –
Don Mercer

Fintech Cadence – Layial El-Hadi

Metrolinx – Daniela Aubry

Wise – Josh Rowat

**Payments Canada Board of
Directors Representative**

AnneMarie Ryan

**Department of Finance
Canada Observer**

Nicolas Marion

2022 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	4/6	Dan Caputo <i>Shemina Jiwani*</i>
Cadillac Fairview**	5/6	Alvin Chan
Canada Revenue Agency**	1/1	Adnan Khan
Canadian Federation of Independent Business	4/6	Jasmin Guénette
Canadian Life and Health Insurance Association	6/6	Brent Mizzen
Consumers Council of Canada	6/6	Don Mercer
Dye & Durham	4/5	Mark DiFilippo
Finance Canada	6/6	Nick Marion
Fintech Cadence	5/6	Layial El-Hadi
Fintech Growth Syndicate**	1/1	Sue Britton
Fiserv	5/6	David Chance*
Intact Financial Corporation**	1/1	Ilinca Vetra
KOHO	2/6	Damier Xandrine <i>Phil Pellegrini*</i>
Metrolinx	6/5	Daniela Aubry
Microsoft	3/6	Tracy Lagasse
Paybright**	0/1	Wayne Pommen
PayPal Canada	5/6	Sarvesh Kulkarni <i>Katja Lehr*</i>
Prosper Canada	6/6	Liz Mulholland
Ministry of Finance, Province of British Columbia	5/6	Jean Hope
Receiver General for Public Services & Procurement Canada	6/6	Lucie Séguin <i>Jean-Pierre Blais*</i>
Square**	5/5	Grace Jung
TELUS**	1/1	Mark DiFilippo
Westjet	6/6	Nykol Kroeker
Wise	6/6	Josh Rowat
Payments Canada Board Member	6/6	AnneMarie Ryan
Payments Canada Board Member	1/3	John Sheridan

2022 PAST STAKEHOLDER ADVISORY COUNCIL MEMBERS

STAKEHOLDER	MEETINGS ATTENDED (OR DELEGATE)	NAMED REPRESENTATIVE
AscendantFX	2/5	Shemina Jiwani
Fiserv	5/5	David Chance
KOHO	1/5	Phil Pellegrini
Receiver General for Public Services & Procurement Canada	5/5	Jean-Pierre Blais

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

** indicates an organization that changed during the year.



#OURSTORIESIN2022

PAYMENTS CANADA ANNOUNCES PEOPLES TRUST COMPANY AS NEW DIRECT CLEARER ON THE AUTOMATED CLEARING SETTLEMENT SYSTEM

PUBLISHED: JUNE 14, 2022



We recognize that the payment ecosystem continues to evolve at a rapid pace.”

Payments Canada today announced Peoples Trust Company (PTC), part of Peoples Group, has been granted Direct Clearer status in the Automated Clearing Settlement System (ACSS) which includes the United States Bulk Exchange application (USBEX). This announcement follows PTC’s declaration to change their status from Indirect Clearer to Direct Clearer in July 2020, and they are the first new Direct Clearer to participate in the ACSS since its launch in 1984.

The transition to Direct Clearer allows PTC to exchange and clear payment items on their own behalf and effect settlement directly with the Bank of Canada. This is possible due to regulatory changes in August 2020 that removed a volume requirement for direct participation in the ACSS. This change has opened the payment ecosystem, allowing more participation and competition in the payment industry in Canada.

[Read more](#) 

CLEARING AND SETTLEMENT SYSTEM STATISTICS

In 2022, Payments Canada's systems cleared and settled over \$119 trillion – more than \$476 billion every business day. Transactions that pass through Payments Canada's 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 payment system, is the system through which the vast majority of Payments Canada's payment items – both paper-based and electronic – are cleared.

ACSS 2022 STATISTICS

Total volume:

9.1 billion items

Daily average volume:

36.5 million items

Total value:

\$9.1 trillion

Daily average value:

\$36.4 billion

To learn more about ACSS volumes and values, please visit the [Retail batch payment system page](#) on [payments.ca](#).

* These statistics represent the combined totals of both the Automated Clearing Settlement System (ACSS) and United States Bulk Exchange application (USBEX), which make up the retail batch payment system.

LYNX

Lynx is Canada's high-value payment system. It is an electronic wire system that facilitates the irrevocable transfer of funds in Canadian dollars between participating Canadian financial institutions. Lynx was introduced in 2021 as the replacement system for the Large Value Transfer System (LVTS).

LYNX 2022 STATISTICS

Total volume:

12.6 million items

Daily average volume:

50,249 items

Total value:

\$110 trillion

Daily average value:

\$439.9 billion

To learn more about Lynx volumes and values, please visit the [High-value payment system](#) statistics section on [payments.ca](#).

#OURSTORIESIN2022

INTRODUCING ISO 20022 TO LYNX: WHAT IT MEANS FOR HIGH- VALUE PAYMENTS IN CANADA

PUBLISHED: JUNE 6, 2022



I am privileged to work with the Canadian community on behalf of SWIFT, as we deliver on our strategy to enable instant and frictionless transactions from end-to-end anywhere in the world.”

Payments Canada uses the SWIFT network for the transmission of payment messages to and from Lynx participants. SWIFT, or the Society of Worldwide Interbank Financial Telecommunication, is the global provider of secure financial messaging services, and the organization spearheading a global initiative to implement ISO 20022 for cross-border payments.

By November 2022, all financial institutions on the SWIFT network must be in a position to receive payments using the ISO 20022 messaging standard. To assist Canadian financial institutions and to set the foundation for payment innovation to take place in Canada over the coming years, Payments Canada is gearing up to implement a second release of Lynx, Canada’s high-value payment system.

[Read more](#) 



2022 IN REVIEW

DELIVER

TECHNOLOGY DEPLOYED FOR LYNX RELEASE TWO

We took steps towards the introduction of the ISO 20022 message standard to the high-value payment system. Once **fully implemented**, ISO 20022 will allow for payment-related data to travel with the payment, providing the foundation for payment innovation and the introduction of enhanced end-user payment experiences to occur in Canada.

AMENDMENTS TO RULE H1

Following a **public consultation** published in November 2021, amendments to ACSS Rule H1, Pre-Authorized Debits (PADs), were approved by Payments Canada's Board of Directors. These amendments reduce user barriers to understanding PAD agreement obligations, create a more consistent payor onboarding process and reduce the time required to set up a new electronic PAD.

WELCOMED PEOPLES TRUST COMPANY AS NEW DIRECT CLEARER ON ACSS

People's Trust Company was **approved and onboarded as a direct clearer** on the ACSS, enabling them to exchange and clear payment items on their own behalf and effect settlement directly with the Bank of Canada. This was made possible due to **regulatory changes introduced in August 2020** that allowed for a broader range of direct participants on the ACSS, Canada's retail batch payment system. This is just one example of the meaningful progress being made toward broader access.

REAL-TIME RAIL PROGRESS

Through extensive consultation with our program partners, we determined the need for **revised launch timing for the RTR**. This revised date will provide additional time to validate and test the components and end-to-end integration of the RTR. We continue to work closely with members, regulators, stakeholders and the broader payment industry to deliver a new real-time payment system that Canadian businesses and consumers need.

#OURSTORIESIN2022

AMENDMENTS TO RULE H1 FACILITATE PRE-AUTHORIZED DEBIT (PAD) USER EXPERIENCE

PUBLISHED: OCTOBER 3, 2022



Our goal to modernize payments in Canada includes not only our systems, but the rules that govern them.”

Amendments to ACSS Rule H1, Pre-Authorized Debits (PADs) have been approved by the Payments Canada Board, and are in effect as of today.

A PAD agreement is a contract signed between a payor (the end user whose account is being debited) directly with a payee (the end user whose account is to be credited, such as a biller) that authorizes the payee to withdraw funds from the payor’s bank account.

Rule H1 outlines the procedures for the clearing and settlement of PADs. The amendments reflect considerable technological and payment advancements since its last review.

[Read more](#)

OPERATE AND ENHANCE

ONE YEAR OF LYNX

Throughout 2022, Lynx operated seamlessly and introduced countless benefits to members and participants, including integration with APIs and increased safety and soundness. Release Two of Lynx, **launching in March 2023**, will allow for enhanced reporting capabilities and deliver end-to-end support for ISO 20022 messages, enabling data-rich, high-value payments.

ENHANCED OUR WEBSITE, PAYMENTS.CA

To ensure optimal support for our organizational and audience needs today and into the future, we underwent a technical rebuild and redesign of payments.ca. This gave us the opportunity to restructure our website content with accessibility and user experience top-of-mind, while improving the flexibility and functionality of the site.

INTRODUCED DATA-RICH PAYMENTS

Data-rich payments are the way of the future, which is why Payments Canada is leading the effort to introduce ISO 20022 for payments in Canada. Payments Canada has authored ISO 20022 message standards for both Lynx and the RTR to allow system participants to prepare their existing applications to leverage the value of the ISO 20022 messaging standard and take advantage of enhanced data.

FACILITATE

THE SUMMIT

The SUMMIT Series webinars continued for a third year, featuring key industry players sharing their views on **what is in store for modern payments** as online services continue to gain popularity and how successful **ecosystem partnerships** can benefit us all. We also came together for our first-ever in-person session of **The SUMMIT Series in Montreal**, where we discussed modern payments for small businesses.

Our annual conference, **The Payments Canada SUMMIT**, welcomed more than 200 speakers and over 1,800 virtual delegates from across the payment ecosystem. We brought the industry together for three days of virtual programming covering topics such as open banking, digital ID, real-time payments, ISO 20022, cybersecurity and industry research.

THE PAYPOD

Our podcast on all things payments, The PayPod, featured leading experts and respected thought leaders who discussed important topics such as enhancing customer experience and promoting financial literacy in today's increasingly digital world.

ADVANCED PAYMENT RESEARCH AND POLICY

Broader access to our national payment systems is key to encouraging greater competition and innovation within the payment ecosystem, resulting in efficiencies and faster payments for consumers and businesses, while bolstering the safety and soundness of Canadian payments.

In 2022, we advocated strongly for **changes to the Canadian Payments Act** to support broader membership. We also authored and published a letter in conjunction with the industry that requested that the Department of Finance amend the *Canadian Payments Act* to expand membership to our systems.

Our research in 2022 shed light on payment trends, developments, challenges and opportunities. We continued to observe residual effects of the pandemic on how Canadians make payments. Through our **2021 Canadian Payment Methods and Trends (CPMT) report**, we reported a 15 per cent growth in transaction value, representing a rebound to pre-pandemic levels. Our data revealed the pandemic has had lasting impacts on how the majority of Canadians prefer to pay, demonstrated by an increase in the use of e-commerce platforms, contactless and mobile payments. In 2022, the value of online transfers exceeded the value of debit card payments for the first time ever. Our market research revealed that Canadian small businesses **continue to struggle**, facing adverse impacts on sales and difficulty with managing margins and profits.

Payments Canada's research also highlighted a prevalent **knowledge gap in working Canadians' understanding of their paycheque details**—38 per cent of Canadians reported it was unlikely they would catch any paycheque discrepancies—calling to attention the need for personal finance information that is accessible to all.

OUR PEOPLE

We are a 300-person organization. Every one of us is responsible for the operation of resilient and secure national payment clearing and settlement systems. Our people are our most important asset and we strive to offer a collaborative, respectful and rewarding environment where everyone can bring their true selves to work.

OUR COMMITMENT TO DIVERSITY, EQUITY AND INCLUSION

We are committed to making everyone feel they can be themselves and thrive at work. To reinforce this commitment, we developed a three-year diversity, equity and inclusion strategy that expands on our efforts to date to create a more diverse, equitable and inclusive workplace. This year, we focused on building out robust reporting and measuring mechanisms to track our progress toward our diversity, equity and inclusion goals and objectives. We introduced a number of training and learning opportunities for our people, including an anti-racism workshop, a corporate inclusivity workshop, a Trans 101 workshop, sessions led by speakers from Indigenous, Black and LGBTQ+ communities, and comprehensive training.

Our Diversity, Inclusion and Wellness Committee members and volunteers continued to discuss pertinent issues and opportunities for learning and improving.

THE FUTURE OF WORK IS HYBRID

Since the onset of the pandemic, we've successfully transitioned into a hybrid workplace model where our people can work where it works for them. Our new hybrid environment reflects our culture of collaboration through coming together in-person for moments that matter. We set our sights on fostering connection through optional in-person and hybrid social events, rather than implementing any return-to-office requirements. This year, we were able to successfully reintroduce our much anticipated in-person internal events, such as our golf tournament, holiday party, all staff meeting and waffle breakfasts.

ENHANCEMENTS TO OUR EMPLOYEE BENEFITS AND REWARDS

We want the best people and that means creating a fair, transparent, competitive compensation model that meets the needs of our employees. This year, we conducted a comprehensive compensation review to ensure our offerings remained competitive in comparison to the broader industry. This resulted in the expansion of our parental leave policy to include all parents and the extension of our top-up by nine weeks to a total maximum of 26 weeks.

We implemented a three percent increase in salary in response to rising inflation and increased our shift premiums and on-call pay. We foster an environment that facilitates employee growth and development, which was reflected in 2022 by a total of 52 role changes within our organization.



RISK MANAGEMENT: PROGRAM AND 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 of Directors 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.

2022 MAJOR ENHANCEMENTS

- ✓ Completed enterprise risk management program internal audit. The program's status was stated to be at a satisfactory level with recommended advanced practices in governance and reporting
- ✓ Implemented changes to the team structure to increase risk capabilities related to the maturity of payment risk and operational resiliency
- ✓ Matured risk management tools and processes supporting risk identification and assessment, business continuity management, vendor risk management and updated risk appetite and metrics
- ✓ Vendor risk management continued to further integrate with vendor management and procurement functions while supporting the phased plan (2022 – 2023) to enhance vendor management practices at Payments Canada
- ✓ Completed an enhanced business impact assessment capturing more details on recovery time objective (RTO) and recovery point objective (RPO) targets, users of each system and current recovery capabilities
- ✓ Completed the RTR risk assessment focused on identifying the key delivery risks within the build phase that could materially impact the successful delivery of the RTR foundational release
- ✓ Completed an impact and risk assessment on turnover risk and the hybrid work model indicating effective mitigation to manage the increased turnover rate
- ✓ Completed series of risk program reviews (internal audit and Bank of Canada assurance review)

2022 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 2022 were as follows:

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 with key stakeholder (key members, regulators and vendors) interests impacts ability to deliver the RTR

Key mitigations: Enhanced risk integration, oversight and reporting to better support the RTR program in the areas of risk governance, vendor risk oversight and transparency and visibility. Payments Canada continues to increase transparency with critical vendors and reinforce governance and program management processes.

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. Crisis management plan including member, regulator and other stakeholder interaction. Business Continuity Management Framework that outlines expectations and guidance for consistent management of business continuity risk.

4. Inability of key vendors to deliver on critical project timelines and/or meet operational expectations and commitments resulting in interruptions to critical operations and/or delays to strategic projects/programs

Key mitigations: Further mature and integrate vendor management processes. Vendor Risk Management (VRM) Framework that outlines a standardized process for the consistent oversight of vendor risk throughout the vendor lifecycle.

5. Potential increase in residual financial risk as a result of Payments Canada's expanded roles and responsibilities

Key mitigations: Payments Canada is supporting members in pursuing statutory protection. Appropriate indemnities and limiting clauses in place within vendor contracts.

2022 PERFORMANCE AT A GLANCE

DELIVER PROJECTS THAT MODERNIZE CANADIAN PAYMENT SYSTEMS

EXPECTED OUTCOMES

Deliver globally compatible, modern and safe payment systems to Canadians leveraging best-in-class technologies while ensuring robust and sound rules and policy frameworks.

Legend for Status

- ✓ Planned progress on schedule and within budget
- ⏸ Delays in terms of time to completion, budget and/or target variances
- ✗ Deferred or cancelled

KEY INITIATIVE	STATUS	2022 UPDATE
Deliver real-time, data-rich payment capability to Canada that meets the needs of the ecosystem domestically and abroad	⏸	<p>The RTR program was advanced during the year. However, external factors impacted the timeline for the RTR system delivery and meeting the established metrics. Despite these delays, notable achievements included:</p> <ul style="list-style-type: none"> i. Obtained Bank of Canada approval of the by-law within the original timeline ii. Advanced the work associated with the final draft of the RTR rules iii. Began system integration testing between the clearing and settlement application and the RTR exchange application on time as per program plan iv. Advanced work related to the three year RTR roadmap taking into account inputs from our members and stakeholders
Implement Lynx Release Two, compatible with global risk and operating standards to ensure interoperability	✓	<p>Although the launch of Lynx Release Two (MX) was postponed to March 2023 as a result of Swift's changes to the implementation schedule, all Lynx MX metrics were achieved. Deliverables included:</p> <ul style="list-style-type: none"> i. Successfully completed the technical implementation of the Lynx MX code ii. Received all approvals associated with the Lynx MX rules within the target date iii. Achieved the financial metric with regard to prudently managing the Lynx MX operating budget
Ensure Payments Canada's legal and policy framework meets evolving needs of the ecosystem	✓	<ul style="list-style-type: none"> i. Advanced the work required to provide feedback on revisions to the <i>Canadian Payments Act</i> once the government's consultation paper is released ii. Prepared an advocacy strategy that supports the advancement of the legislation

OPERATE AND ENHANCE CURRENT SYSTEMS

EXPECTED OUTCOMES

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

Legend for Status

- ✓ Planned progress on schedule and within budget
- ⏸ Delays in terms of time to completion, budget and/or target variances
- ✗ Deferred or cancelled

KEY INITIATIVE	STATUS	2022 UPDATE
Ensure continued operational excellence and systems reliability	✓	<ul style="list-style-type: none"> i. Partially achieved goal as the number of APIs deployed on our developer portal was below target ii. Achieved system availability targets for Lynx and CSN for all four quarters. The target for the ACSS system availability was not achieved in the third quarter iii. Achieved planned enhancements of vendor management capabilities
Operate and enhance cyber resilient payment systems	✓	<ul style="list-style-type: none"> i. Partially achieved goal as not all security benchmarks reached their annual target ii. Achieved our operational security risk target by remaining within tolerance all year iii. Achieved our metric by successfully executing all cyber strategy related projects within scope, schedule and budget
Enhance risk management (ERM)	✓	<ul style="list-style-type: none"> i. Achieved risk management metrics associated with the ERM program maturity and incorporated new elements into the ERM framework ii. Achieved risk appetite targets by operating current systems within risk appetite levels iii. Completed planned audits and remediated findings
Attract, retain and develop top talent	⏸	<ul style="list-style-type: none"> i. Achieved metric as employee engagement scores were consistently above target throughout the year ii. Achieved all defined objectives for year one of our Diversity, Equity & Inclusion strategy iii. Voluntary employee turnover off target by a considerable margin; however, still well below industry average
Manage financial resources prudently and transparently	✓	<ul style="list-style-type: none"> i. Financial metric achieved as the core operations budget was managed within tolerance ii. Metric achieved as no significant deficiencies and material weaknesses related to internal control over financial reporting were identified iii. Metric achieved as a plan to appropriately reflect environmental, social and governance (ESG) components in our reporting was developed

FACILITATE PAYMENT SYSTEM INTEROPERABILITY AND PROMOTE PAYMENT INNOVATION

EXPECTED OUTCOMES

Create and support opportunities for ecosystem collaboration that promotes and enhances the capabilities of efficient and safe operations of national payment systems, and supports the development of new payment methods and technologies.

Legend for Status

- ✓ Planned progress on schedule and within budget
- ⏸ Delays in terms of time to completion, budget and/or target variances
- ✗ Deferred or cancelled

KEY INITIATIVE	STATUS	2022 UPDATE
Be the Canadian source of expert knowledge in payments, connecting the ecosystem through education and research	✓	<p>Deliverables associated with this objective included:</p> <ul style="list-style-type: none"> i. Successfully delivered The SUMMIT virtually and exceeded the metric for number of attendees ii. Exceeded planned metrics for delivering high-impact speaking engagements iii. Developed and approved a value proposition document targeting eligible new members, credit union locals, PSP's and FMIs iv. Presented research findings on various topics (e.g., digital currencies, end users payments, payment trends, liquidity management) through a variety of channels
Effectively support evolution in an increasingly diverse and complex ecosystem	✓	<ul style="list-style-type: none"> i. Achieved target as new vision and mission statements were developed and endorsed by the board ii. Achieved member and stakeholder confidence targets

2023 CORPORATE PLAN

Three long-term strategic objectives guide Payments Canada into the 2023 – 2027 planning period:

- A** Deliver projects that modernize Canadian payment systems
- B** Operate and enhance current systems
- C** Facilitate payment system interoperability and promote payment innovation

The 2023 – 2027 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 2023 is the publication 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	2022	2021
Fees	108	63
Other revenues	3	2
Total revenues	111	65

EXPENSES	2022	2021
Core operations	99	57
Projects	3	2
Modernization	3	18
Total expenses	105	77
Excess/(shortfall) of revenue over expenses before the undernoted	6	(12)
Unrealized gain on interest rate swaps	14	1
Surplus/(deficit)	20	(11)

As Payments Canada operates on a cost recovery basis, fee revenues from members are closely correlated with our cost base. In 2022, transaction volumes and value rebounded largely due to the lifting of COVID-19 pandemic restrictions midway through the first quarter of the year. These actions almost immediately resulted in an increase in consumer and business spending and in turn, an increase in transaction fee revenue.

Our full year revenues totalled \$111 million, which was \$5 million (5%) above plan due to higher Lynx and ACSS transaction fee revenue as transaction volumes and value were positively impacted by the lifting of pandemic restrictions.

Core operating expenses for the year were above plan and prior year. This was due to added capacity in support of technology, security, policy and risk management initiatives, coupled with incremental costs to operate Lynx following the launch of the system in August 2021 and the subsequent retirement of LVTs.

In 2022 the Modernization program focused on the delivery of Lynx Release Two and the advancement of the Real-Time Rail. Expenses totalled \$3 million with an additional \$74 million of Modernization-related expenditure reflected on our balance sheet in the form of capitalized intangible assets. In the prior year, Modernization program costs associated with the post go-live stabilization period for Lynx Release One were expensed following the August 2021 deployment.

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 largely being funded through debt financing. Debt associated with the development of Lynx Release One began repayment in 2022.

SELECTED ITEMS FROM THE STATEMENT OF FINANCIAL POSITION

(in millions of Canadian dollars)

SELECTED ITEMS	2022	2021
Cash and short term investments	60	52
Accounts receivable	28	17
Interest rate swaps	15	1
Capital assets and intangible assets	230	172
Accounts payable and accrued liabilities	25	24
Demand and term loans	336	265

Payments Canada's statement of financial position continues to grow. Total assets increased by \$92 million primarily as a result of the growth of intangible assets (related to the development of Lynx Release Two and the Real-Time Rail) and from investing additional funds in support of reserves required under the *Principles for Financial Market Infrastructures*. The year-over-year increase in accounts receivable is largely due to incremental transaction fee revenues to service the Modernization loan following Lynx Release One go-live. As planned, the Modernization program has put Payments Canada into a net liability position which 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 further draws on the demand loan facility to fund development of the Real-Time Rail. The outstanding debt at the end of 2022 relating to the Modernization program is made up of a \$177 million term loan and a \$159 million outstanding balance on the revolving demand loan.



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, 2022 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, 2022;
- 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 6, 2023

FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2022 (in thousands of dollars)

ASSETS

CURRENT ASSETS	2022 \$	2021 \$
Cash	12,769	2,461
Short term investments (note 4)	47,571	49,438
Accounts receivable	28,200	16,774
Interest rate swaps (note 8)	15,080	727
Prepaid expenses	5,187	5,569
	108,807	74,969
Capital assets (note 5)	3,312	4,602
Intangible assets (note 6)	226,615	167,537
	338,734	247,108

LIABILITIES AND NET ASSETS (LIABILITIES)

CURRENT LIABILITIES	2022 \$	2021 \$
Accounts payable and accrued liabilities	25,142	23,863
Deferred revenue	1,340	2,059
Current portion of long-term debt (note 8)	178,100	88,325
	204,582	114,247
Tenant inducement	525	724
Employee future benefits (note 7)	1,620	1,968
Long-term debt (note 8)	157,575	176,675
	364,302	293,614
NET ASSETS (LIABILITIES)	2022 \$	2021 \$
Unrestricted – Core	39,817	24,497
Unrestricted – Modernization	(110,818)	(116,096)
Internally restricted (note 9)	45,433	45,093
	(25,568)	(46,506)
	338,734	247,108

Commitments (note 10)

Approved by the Board of Directors

 Director  Director  Director

STATEMENT OF OPERATIONS

For the year ended December 31, 2022 (in thousands of dollars)

REVENUES	2022 \$	2021 \$
Fees	108,248	63,429
Conference	1,164	1,246
Other	1,458	624
	110,870	65,299
EXPENSES		
	2022 \$	2021 \$
Modernization program	2,983	18,063
Salaries and benefits	38,205	32,570
Technology and telecommunications	29,278	11,544
Projects	2,934	2,237
General administration	4,858	3,828
Interest expense	4,392	-
Amortization of capital and intangible assets	17,405	4,898
Professional services	4,264	3,694
Bank of Canada settlement services fee	900	900
Costs incurred for (recovered from) members	(270)	(841)
	104,949	76,893
Excess/(shortfall) of revenue over expenses before the undernoted	5,921	(11,594)
Fair value adjustment on interest rate swaps (note 8)	14,353	727
Net revenues (expenses) for the year	20,274	(10,867)

STATEMENT OF CHANGES IN NET ASSETS (LIABILITIES)

For the year ended December 31, 2022 (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	24,497	23,257	664	(8,601)	39,817
Modernization program	(116,096)	(2,983)	-	8,261	(110,818)
	(91,599)	20,274	664	(340)	(71,001)
INTERNALLY RESTRICTED (NOTE 9)					
INTERNALLY RESTRICTED (NOTE 9)	BALANCE—BEGINNING OF YEAR \$	NET REVENUE (EXPENSE) FOR THE YEAR \$	EMPLOYEE FUTURE BENEFITS REIMBURSEMENTS \$	TRANSFERS \$	BALANCE—END OF YEAR \$
Principles of Financial Market Infrastructure	24,631	-	-	6,463	31,094
Modernization program	10,573	-	-	(6,482)	4,091
Stabilization	9,889	-	-	359	10,248
	45,093	-	-	340	45,433
	(46,506)	20,274	664	-	(25,568)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022 (in thousands of dollars)

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2022 \$	2021 \$
Net revenues (expenses) for the year	20,274	(10,867)
Items not affecting cash		
Amortization of tenant inducement	(200)	(200)
Amortization of capital and intangible assets	17,405	4,898
Employee future benefits expense	350	360
Cash paid for employee future benefits	(34)	(32)
Fair value change on interest rate swaps	(14,353)	(727)
Net change in non-cash working capital items		
Accounts receivable	(11,426)	(1,439)
Prepaid expenses	382	(423)
Accounts payable and accrued liabilities	1,279	637
Deferred revenue	(719)	234
	12,958	(7,559)

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2022 \$	2021 \$
Purchases of short-term investments	(70,258)	(76,809)
Proceeds on sale of short-term investments	72,125	72,902
Purchases of capital assets	(1,105)	(1,067)
Purchases of intangible assets	(74,087)	(58,421)
	(73,325)	(63,395)

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2022 \$	2021 \$
Repayment of demand loans	-	(191,000)
Repayment of term loans	(14,325)	-
Advances of term loan	-	191,000
Advances of demand loan	85,000	60,000
	70,675	60,000
Net change in cash for the year	10,308	(10,954)
Cash – Beginning of year	2,461	13,415
Cash – End of year	12,769	2,461

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 (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 *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 fees collected by members are used to recover the Company’s cost of operating Canada’s payment systems.

The Company is funding the Modernization program by way of bank financing and restricted Modernization reserves as opposed to annual dues and fees from members. As such, the Company distinguishes costs incurred to modernize Canada’s payment systems from its ongoing operating costs

in the financial statements. The Modernization components of the financial statements include all costs borne by the Modernization program that have been financed by way of bank financing and restricted Modernization reserves. Following the completion of the Modernization program, the debt incurred to fund the program will be transferred to core operations and serviced by way of system transaction 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
Payments system – Lynx	10 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 revenues (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 \$109 million (2021 – \$75 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, 2022, 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 that interest proceeds from short-term investments remain their respective reserve funds, the Company does not consider the risk to be significant (note 4).

- **Revolving 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 the forward starting swap arrangement to fix a portion of the revolving demand loan (note 8), the Company views this risk as being partially mitigated.

- **Long term debt:** The Company's revolving and term loans are subject to floating and fixed interest rates (note 8). However, the Company has partially mitigated the interest rate risk on the floating portion of its long-term debt by entering into swap arrangements to fix the interest rate over the duration of the term loan as further described in 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. Management considers it probable that it will receive the funding resources required to complete the Modernization Program and that it will receive transaction fees from its members to repay all of its debt obligations due to the unique relationship and interdependencies it has with its members and its lenders, resulting from the *Canadian Payments Act* ("the Act") and Finance By-Law.

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

Government of Canada treasury bills bear interest at fixed rates ranging from 3.100% to 3.948% (2021 – 0.100% to 0.510%), and mature in 2023 (2021 – in 2022).

5. CAPITAL ASSETS

CAPITAL ASSETS	COST \$	ACCUMULATED AMORTIZATION \$	NET \$ 2022	NET \$ 2021
Leasehold improvements	4,415	3,351	1,064	1,660
Office furniture	2,310	1,987	323	514
Payment and corporate systems	19,071	17,146	1,925	2,428
	25,796	22,484	3,312	4,602

Cost and accumulated amortization amounted to \$24,692 and \$20,090, respectively as at December 31, 2021.



6. INTANGIBLE ASSETS

INTANGIBLE ASSETS	COST \$	ACCUMULATED AMORTIZATION \$	NET \$ 2022	NET \$ 2021
Payment system (Lynx and ACSS)	139,453	16,532	122,920	3,045
Modernization systems under development	103,694	-	103,694	164,492
	243,147	16,532	226,614	167,537

Cost and accumulated amortization amounted to \$169,060 and \$1,523, respectively as at December 31, 2021.

7. EMPLOYEE FUTURE BENEFITS

The most recent valuation date was December 31, 2022. Extrapolations of the actuarial valuation indicated an accrued benefit liability of \$1,620 (2021 – \$1,968).

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	2022 %	2021 %
Discount rate	5.30	3.30
Health care cost trend rates: Hospital, dental, other medical	4.00	4.00
Drugs, grading down to 4.00% per annum in 2040	5.93	6.05

8. LONG-TERM DEBT

LONG-TERM DEBT	2022 \$	2021 \$
Revolving demand loan (a)	159,000	74,000
Term loan (b)	176,675	191,000
	335,675	265,000
Less: Current portion of long-term debt	178,100	88,325
	157,575	176,675

(a) A revolving demand loan in the amount of \$279,000 (2021 – \$159,000) is available by way of short-term CDOR loans (2021 – bankers' acceptance notes). As at December 31, 2022, \$159,000 (2021 – \$74,000) was drawn down under this loan with a fixed interest rate of 5.010% (2021 – 1.0575%), maturing January 13, 2023 (2021 – January 13, 2022).

In 2022, the Company entered into a forward starting interest rate swap to fix a portion of the Modernization revolving demand loan prior to converting it to a term loan following the completion of the RTR Modernization program. While a notional value of \$140,000 will be fixed for ten years, a portion of the remaining Modernization revolving demand loan will remain exposed to floating interest rates as the program continues to draw on the demand facility. The swap has a flexible feature allowing the Company to choose an effective date on any business day between June 30, 2023 to June 28, 2024. Interest payments are not due until the Company determines the effective date of the swap.

The following table summarizes the commitment to allow for more certainty on the floating component of the interest due on the revolving demand portion loan as at December 31, 2022.

NOTIONAL AMOUNT	INTEREST RATE	MATURITY	FAIR VALUE
\$140,000	3.67%	Between June 30, 2033 and June 28, 2034	\$(403)

(b) The Company obtained a term loan, in July 2021, repayable in quarterly payments of \$4,775 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%.

In 2021, the Company entered into an interest rate swap to mitigate interest rate risk on the term loan. 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 table summarizes the remaining commitment relating to the term loan, including the fixed interest rate resulting from the swap arrangement as at December 31, 2022.

NOTIONAL AMOUNT	INTEREST RATE	MATURITY	FAIR VALUE
\$176,675	1.75%	March 31, 2032	\$15,483

Fair value of the above derivative swap instruments have been determined using broker quotes from a derivatives dealer. The aggregate minimum amount of loan principal payments required in each of the next five years and thereafter is as follows:

YEARS	\$
2023	178,100
2024	19,100
2025	19,100
2026	19,100
2027	19,100
Thereafter	81,175

9. INTERNALLY RESTRICTED RESERVES

The Company has established a reserve policy restricting a portion of the net assets. The level of the restricted balance is reviewed and adjusted annually by the Board of Directors.

PRINCIPLES OF FINANCIAL MARKET INFRASTRUCTURE

This reserve was established in order to meet the requirements of *Principle 15 – General Business Risk* requirements from The Bank of Canada’s risk-management standards for designated FMI. This reserve has been created to support the operation of the high value payment system as well as the Automated Clearing Settlement System in the event that they incur a general business loss.

MODERNIZATION PROGRAM

This fund was established in 2017 to support the Modernization program funding requirements.

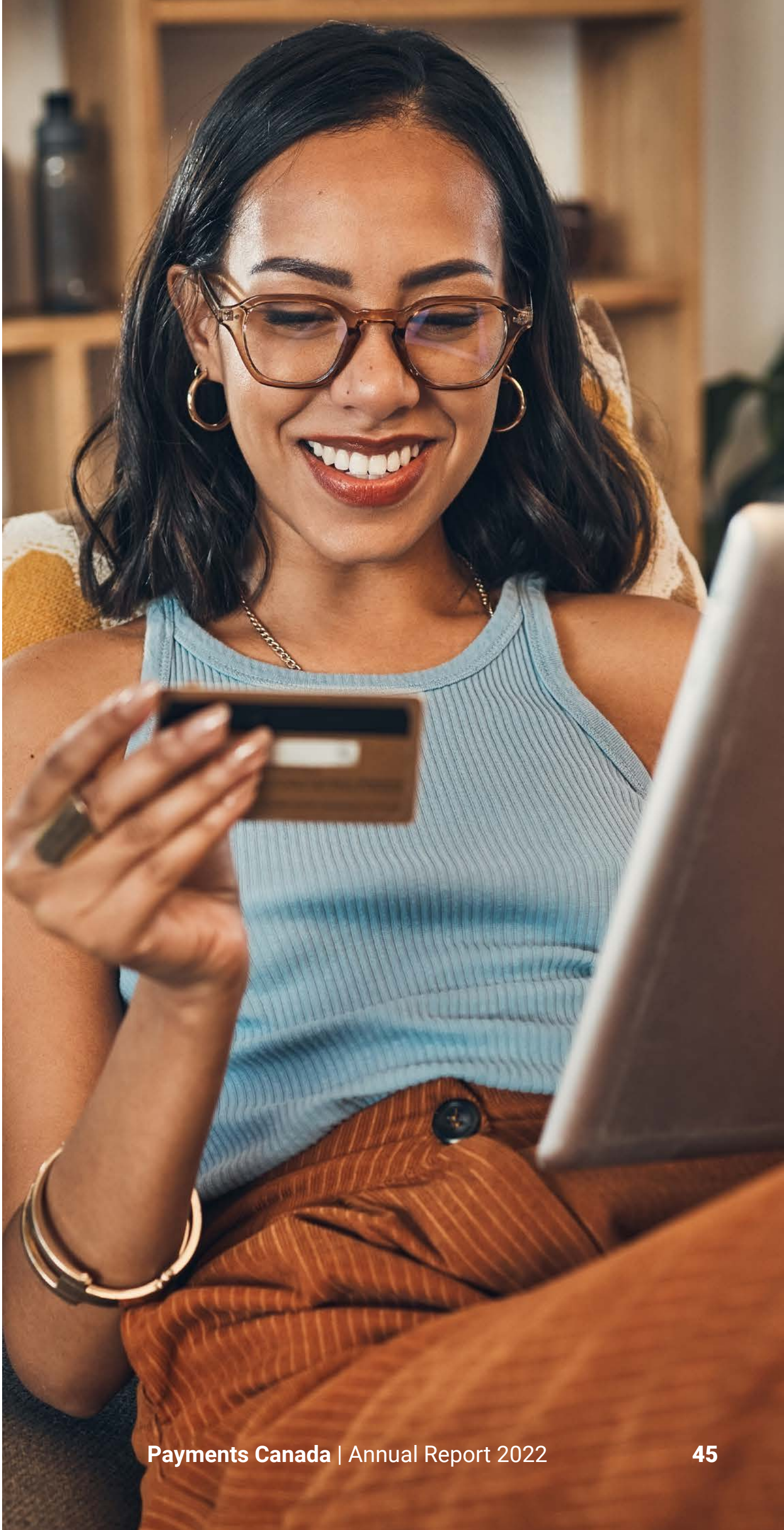
STABILIZATION RESERVE

The purpose of this reserve is to mitigate against the volatility of transactions by creating a stable source of funds that can easily be drawn upon, in the event there is a decline in the transaction fees collected from members.

10. 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, 2023	17,780
2024	17,463
2025	15,517
2026	8,757
2027	502



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