



**PAYMENTS  
CANADA**

# MODERNIZATION DELIVERY ROADMAP

2019 UPDATE

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

# OVERVIEW

Payments Canada is leading an industry-wide program to modernize Canadian payments. The program is focused on modernizing Canada's payment systems and related rules to support innovation.

Modernization is an accelerator for our economy, with far-reaching gains for Canadian financial institutions and other payment service providers, businesses and consumers. For financial institutions, enhancing our payments systems will support product and service innovation. For other payment service providers the proposed expansion of Payments Canada's membership will be vital in realizing the innovation and competitive benefits that Modernization can provide. For businesses, the introduction of faster, safer and data-rich payments will support increased digitization of payments processes and spur innovation to lower operational costs and boost bottom-line returns over time. For consumers, it will enable the introduction of enhanced and new payment products for how, where and when we can pay.

Guiding Canada's payments Modernization journey is the Vision for the Payments Ecosystem published in 2016. The Vision represents feedback gathered from a multitude of stakeholders, including businesses, financial institutions, government, regulators, payments service providers, and new entrants.



The *2019 Modernization Delivery Roadmap Update* provides a summary of progress and indicates any revisions to timelines. Continued cross-industry collaboration with our stakeholders will ensure the successful implementation of enhanced payments systems and ensure that we are continually meeting the needs of Canadians. The timelines provided in this document include both higher confidence dates and indicative dates. The date ranges shown as indicative are projected dates for future phases of the program determined by Payments Canada in collaboration with industry stakeholders. Additional clarity will be provided as the milestones near.

## About Payments Canada

Payments Canada ensures that financial transactions in Canada are carried out safely and securely each day. The organization underpins the Canadian financial system and economy by owning and operating Canada's payment clearing and settlement infrastructure, including associated systems, by-laws, rules and standards. The value of payments cleared and settled by Payments Canada in 2018 was more than \$53 trillion or \$209 billion each business day. These encompass a wide range of payments made by Canadians and businesses involving inter-bank transactions, including those made with debit cards, pre-authorized debits, direct deposits, bill payments, wire payments and cheques. Payments Canada is a proud supporter of the Catalyst Accord and the 30% Club.



# MODERNIZATION DELIVERY ROADMAP UPDATE

Payments Canada's Modernization program extends beyond modernizing payments system infrastructure. A core objective of the program is underpinning Canada's modernized payments system with a flexible and robust policy and legal framework that reflects current market practices, achieves the appropriate balance between flexibility and compliance, and facilitates innovation. How our members use our systems will evolve, and we must ensure we are prepared to support this ongoing evolution. Who our members are may also evolve. In February 2019, the Department of Finance released its *Report on the Review of the Canadian Payments Act* indicating that the proposal to create an associate membership class to facilitate access to Canada's new real-time payments system received widespread support among stakeholders. With the proposed expansion of Payments Canada's membership, it is anticipated that any membership changes will be closely linked to implementation of the Canadian government's proposed functional, risk-based approach to retail payments oversight. Timelines for both initiatives are yet to be confirmed by regulators.

Another important element of Modernization is the implementation of ISO 20022, a global messaging standard that allows rich data to travel with electronic payments. The adoption of this standard will enable benefits such as extended remittance information, straight-through processing and the move away from paper.



## Key Updates

The 2019 roadmap demonstrates substantial progress on Modernization, including a revised date for the implementation of ISO 20022 messaging for 2021 on Canada's new high-value payments system, Lynx, and a shift in the launch date of the new real-time payments system from 2020 to 2022.



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

In May, we [announced IBM as our lead technology partner](#) on Lynx. IBM will work closely with [SIA, our selected application provider](#). Lynx will be released in two phases, as planned, but we are now progressing towards the second release more quickly than anticipated. Release one will consist of the new real-time gross settlement system, including an enhanced risk model that complies with Canadian and international risk standards. Release two will deliver end-to-end support for ISO 20022 messaging to support data-rich payments. The accelerated introduction of ISO 20022 will allow Canadian financial institutions to meet SWIFT requirements announced earlier this year. In October we issued our [Lynx Policy Framework consultation paper](#) which explored a number of topics such as access, payment finality and deduction of service charges. This work feeds into the development of the Lynx rules, standards and by-law, which are the documents that will form the legal framework for Lynx.

Our 2020 milestones include completion of the Lynx solution infrastructure build, and the commencement of industry testing by mid-year.



### Real-Time Rail, a new Real-Time Payments System

Our original plan for the Real-Time Rail (RTR) launch consisted of multiple releases, with the first in 2020, and future releases to deliver additional functionality. Following consultation with key industry partners, we have determined that a single release that follows the launch of Lynx, is a more efficient implementation approach. The RTR will now incorporate account number based routing and the ISO 20022 message standard at launch. We are now targeting a go-live date in 2022, following the launch of Lynx.

Our 2020 priorities include engaging Interac Corp as the service provider for the exchange function of the RTR, leveraging their infrastructure and connectivity to almost 300 Canadian financial institutions, and procuring a vendor for the clearing and settlement functions.



### Retail Batch Payments

In the fall of 2018, Payments Canada introduced a third exchange and two hour funds availability for Automated Funds Transfer on Canada's retail batch payments system, the Automated Clearing and Settlement System (ACSS). Just over a year later, the third exchange now accounts for more than 10 per cent of the volumes exchanged in the ACSS. The third exchange window has been especially beneficial for businesses located on the West coast. In 2019, we focused on implementing enhancements to reduce system risk, address regulatory requirements and strengthen overall alignment with global best risk management practices. Highlights included progress on broadening access to the ACSS, including the removal of the 0.5 per cent volume requirement.

In 2020, we will remain focused on maintaining and enhancing Canada's current systems while continuing to consider the design and business capabilities required of a new centralized retail batch payments system.



# MODERNIZATION MULTI-YEAR ROADMAP



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

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

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

**LEGEND**  
 R - Release | R1 - Release 1 | R2 - Release 2

■ Complete ■ Higher Confidence Dates ■ Indicative / Unconfirmed Dates

\*Establishment of legal framework includes consultation and regulatory approval  
 \*\* Automated Clearing and Settlement System \*\*\* A new centralized retail batch payments system

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



# BENEFITS OF MODERNIZATION

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

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



Faster and More Efficient Transactions



Data-Rich Payments



More Convenient Payments Initiation & Receipt



Interoperability for Seamless Cross-Border Payments



Greater Security, Risk Management & Privacy around the Payments Experience

Refer to [modernization.payments.ca](https://modernization.payments.ca) for more about these core benefits.

Here are some of the benefits of payments Modernization, that a selection of our stakeholders feel are of value:

"Financial technology is transforming our lives by leveraging data in order to automate and customize services. This is exactly what the implementation of ISO 20022 brings to the payments context; enriching payments with data in order to enable a higher degree of automation in the treatment of these payments, notably when it comes to remittance processing. And when essential processes like this get optimized -- everybody in the ecosystem wins."

— **Dominique Samson, Chief of Staff, Flinks**

"The individual should expect that the payment experiences will be seamless, will be instantaneous and frictionless. That's what will make the end user experience better, drive volumes on top of that, and make people move more towards electronic payments rather than cash payments."

— **Vivekanand Ramgopal, VP and Head, Financial Solutions for Tata Consultancy Services**

"Expanded remittance detail will definitely serve many organizations well in their accounting reconciliation processes and ISO 20022 will make it easier for businesses to manage their banking relationships and partnerships. ADP has seen this first hand...as a country we are better positioned than ever to bring ISO 20022 to life. We have learned from countries in Europe - adapting our plans to provide more flexibility in our remittance data, for example - and now is the time to drive progress."

— **Bill Piggot, VP International Money Movement, ADP Canada Co.**





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