



**PAYMENTS
CANADA**

MODERNIZATION DELIVERY ROADMAP

DECEMBER 2020 UPDATE

payments.ca

OVERVIEW

The payments landscape in Canada is changing, driven by technology and payments innovation, and shifts in the ways that Canadian consumers and businesses make payments. Cash usage continues to decline as Canadians increasingly favour digital payments - including contactless (tapping card or mobile phone), wearables, in-app payments and e-commerce.¹ In 2020, the COVID-19 pandemic has accelerated this shift - with 44 per cent of Canadians saying COVID-19 has changed their payments preferences to digital and contactless long-term and 42 per cent are uncomfortable handling cash.²

Payments Canada is leading an industry-wide payments Modernization program to ensure our country's payments infrastructure, rules, standards and bylaws are best equipped to support innovation for the benefit of all Canadians, our economy and global competitive position.

This *2020 Modernization Delivery Roadmap Update* provides an update on the program progress, including timelines and how Canadians stand to benefit.

For more on payments trends, check out the *Canadian Payments: Methods and Trends 2020* report and *Payments Canada's 2020 Consumer Payments Behaviour Tracker Survey*.

About Payments Canada

Payments Canada ensures that financial transactions in Canada are carried out safely and securely each day. The organization underpins the Canadian financial system and economy by owning and operating Canada's payment clearing and settlement infrastructure, including associated systems, bylaws, rules and standards. The value of payments cleared and settled by Payments Canada in 2019 was over \$55 trillion or \$218 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.

¹ Canadian Payments: Methods and Trends 2020 Report

² Leger/Payments Canada. 2020 Consumer Payments Behaviour Tracker Survey



Canada's Payments Modernization Program is Designed to Support a 24/7/365 Modern, Digital Economy

The initiative involves the introduction of Lynx, a new system that will replace Canada's existing high-value payments system, and a new real-time payments system, called the Real-Time Rail (RTR), as well as enhancements to our country's retail batch payments system, the Automated Clearing Settlement System (ACSS). Fundamental to all new and improved systems are modern rules and standards, including the introduction of the ISO 20022 global payment messaging standard, which will allow data to flow with electronic payments.

As an industry-wide initiative, Modernization relies on significant commitment and investment from the payments ecosystem, including Canadian financial institutions, government and regulator partners. The timeline in this document outlines higher confidence dates and indicative dates. The date ranges shown as indicative are projected date ranges that Payments Canada will review and refine regularly, working in close collaboration with program partners.

Starting in 2021, Payments Canada will move to publish biannual updates, as part of our approach to support transparency and encourage open dialogue.

"Payments Modernization brings together stakeholders from across the ecosystem to adopt an international payments standard—ISO 20022—and agree on a more modern regulatory framework. We all want to add value and provide excellent service by doing our best to make the payment experience as simple, practical and transparent as possible. By working together, by cooperating, we can go further."

Yann Jodoin, Head of Payments, Retail Lending And Everyday Banking, Desjardins

"The release of the Modernization roadmap is the culmination of excellent collaboration between Payments Canada, the banking industry and Canadian businesses. Lynx, the new high-value payment system, will future-proof Canadian payments by leveraging modern technology and bring the latest in international risk standards. The Real-Time Rail will introduce real time exchange and settlement, support for ISO 20022, and higher limits while ensuring world-class safety and security. In the context of a rapidly-changing digital environment and the need to continue to make payments simpler, these changes will make it easier for us to build new payment-related experiences for our customers, facilitate new partnerships across the ecosystem and leverage increased data which will benefit our customers and their trading partners. It is a meaningful platform for innovation for BMO and our customers."

Derek Vernon, Vice President, Head, Enterprise Payments Modernization, BMO Financial Group and Industry Chair, Payments Canada Industry Steering Committee



Key Updates

Canada will see the launch of two new payments systems in the next two years: Lynx in 2021 and the Real-Time Rail (RTR) in 2022.



Lynx, a new High-Value Payments System

Canada's new world-class, high-value payments system, Lynx, is ready for participant (industry) testing starting in January 2021. Working with our vendor partners, [SIA](#) and [IBM](#), we have completed system user acceptance testing with the Bank of Canada and Lynx participant connectivity testing, and are now ready to begin industry testing. Additionally, more than 300 individuals have participated in training on the new system and now have access to a Lynx sandbox, an environment to support participant readiness. 2020 also saw progress on the drafting of a modernized rules framework based on responses to the [Lynx Policy Framework consultation paper](#) that will help govern participation in the high-value payments system.

Lynx will launch in two releases, as planned. Release one will feature 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, and support Canadian financial institutions in meeting [SWIFT ISO 20022 global requirements](#).



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

Operated by Payments Canada and to be regulated by the Bank of Canada, Canada's new real-time payments system, the RTR, will allow Canadians to initiate payments and receive irrevocable funds in seconds, 24/7/365. The system will consist of two components: a clearing and settlement component provided by [Mastercard's Vocalink](#); and an exchange component provided by a vendor to be announced at a later date. A public announcement will be made in due course. The vendor selection activities represent critical milestones on the RTR journey in 2020, along with the issuance of the [RTR Policy Framework consultation paper](#). Priorities in 2021 include system construction and drafting of the bylaws, rules and standards governing participation in, and operation of, the new system.

The RTR system will support the ISO 20022 data standard at launch in 2022, it will provide faster, secure, data-rich payments, and will act as a platform for the introduction of new payment products and experiences for Canadians and Canadian businesses.



Retail Batch Payments

2020 marked the [completion of upgrades to Canada's existing retail batch system](#), the Automated Clearing Settlement System (ACSS) and US Bulk Exchange, which runs parallel to the ACSS. This effort included refreshing existing functionalities and business processes, and introducing new and efficient capabilities. Another key milestone was the implementation of [amendments to ACSS Rule D1](#), a change that allows for a wider range of member financial institutions to be eligible to participate directly in the ACSS.

As we progress, we continue to remain focused on maintaining and enhancing Canada's current retail payments system while continuing to consider the design and business capabilities required of a new centralized payments system for retail batch payments.



MODERNIZATION MULTI-YEAR ROADMAP



LEGEND

R2 - Release 2

- Complete
- Higher Confidence Dates
- Indicative / Unconfirmed Dates

*Establishment of legal framework includes consultation and regulatory approval

** Automated Clearing and Settlement System (ACSS)

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.

Access for Innovation

Broader access to Canada's payments system - direct participation in our systems beyond federally regulated financial institutions - will enable competition and innovation and the introduction of new payments products and services for consumers and businesses. Risk-based access will support broader participation without compromising safety and soundness.

There are two key activities underway in support of expanded access. The first is the Canadian government's expected introduction of legislation and supporting regulations to implement the Retail Payments Oversight Framework. The second is preparing and introducing required changes to the Canadian Payments Act to support broader Payments Canada membership. Momentum continues in support of these important activities, and Payments Canada will continue to work closely with members, stakeholders and regulatory partners to provide support where it may be required.

A Foundation for the Evolution of Payments

Payments Canada has designed flexible and secure payments systems and rules, and will enhance both our systems and our rules as necessary to support our members. Global interoperability has been a consideration throughout Modernization, with a strong focus on supporting cross-border payments. The adoption of ISO 20022 for our modernized payments systems is a key enabler for this objective.

About one in five Canadian small businesses

indicate cost as the biggest pain point, when it comes to cross-border payments. Followed by the need for more favourable exchange rates, a simpler/shorter process, and faster processing speed.³

"In all facets of digital business, consumers expect transparency, accurate data in real-time, and fast efficient transactions. The expectation is that the modernized payment platforms will deliver against this promise and will enable innovation in the form of efficiencies and improved consumer experiences across the payments value chain. When the value proposition of real-time payments combines with the value proposition of consumer-directed banking (open banking), Canada will be much closer to enabling the delivery of fully digitized financial services and all of the innovation that follows."

Christine Day, Chief Information Officer, Questrade, Inc.

³ Leger/Payments Canada. 2020 Business Payments Behaviour Tracker Survey





Over one third of small businesses have gig workers on their payroll. ⁴

The RTR will support Canada's growing gig economy with instant, irrevocable data-rich payments. Hear from Dan Kelly, President and Chief Executive Officer of the Canadian Federation of Independent Business for more on [how Modernization will support small business payments needs](#).

"As a 24/7 system that will facilitate real-time delivery of payments in a matter of seconds, RTR will help us to provide faster service to our members. This shift to same-day settlements will be particularly helpful to small businesses, where instant access to funds will facilitate cash flow and data-based insights."

Kirsten Sutton, Chief Technology & Information Officer, Vancity Credit Union

IMPROVING EFFICIENCIES IS TOP OF MIND FOR TWO IN FIVE CANADIAN SMALL BUSINESSES. ⁵

"Everyone agrees we need to move away from paper cheques, especially in this time of crisis. However, electronic payments bring pressure on operational efficiency more specifically on bank reconciliation. Who paid me and for what? This is a great example of what ISO 20022 brings to the community, enriched payment data allowing payment remit information to travel within the payment."

Louis-Etienne Berube, Senior Manager, Raymond Chabot Grant Thornton

BENEFITS OF DATA-RICH PAYMENTS



More business automation



Improved predictability of cash flow



Clearer visibility into supply chain and collections



Improved business automation

Online purchases were made by

86% of Canadians in 2019



E-commerce payments generated over \$54 billion in value, with fashion and footwear representing over half of online purchases. ⁶

Find out from [Wayne Pommen, Chief Executive Officer of PayBright](#), how faster, data-rich payments will support Canada's evolving retail experience.

⁴ & ⁵ Leger/Payments Canada. 2020 Business Payments Behaviour Tracker Survey

⁶ Leger/Payments Canada. 2020 Canadian Consumer Payments Behaviour Tracker Survey





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SAY HELLO

modernization@payments.ca

PAYMENTS CANADA

Constitution Square, Tower II
350 Albert, Suite 800
Ottawa, ON K1R 1A4

145 King Street West, 10th Floor
Toronto, ON M5H 1J8

T 613.238.4173
modernization@payments.ca