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Financial Systems Division  
Financial Sector Policy Branch  
Department of Finance Canada  
90 Elgin Street  
Ottawa ON K1A 0G5

**Re: Consultation on the Review of the Canadian Payments Act**

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ATB Financial (ATB) acknowledges and appreciates the work done by the Department of Finance Canada (Department) in putting together and circulating its Consultation on the Review of the *Canadian Payments Act* (Consultation Paper). ATB believes strongly in the Government's core policy objectives of efficiency, safety and soundness, and user interests, as well as its modernization initiatives in relation to Canadian payment systems. As an organization, we have reviewed the Consultation Paper and have prepared our collective thoughts and opinions on its contents. We note that as part of the Department's review the following questions have been asked:

1. Have the 2015 changes to Payments Canada's governance been successful in better enabling the organization to achieve its public policy mandate to promote the efficiency, safety and soundness of its systems while taking into account the interests of users?
2. Are there aspects of Payments Canada's governance structure that could be improved to better allow Payments Canada to carry out its mandate and serve its public policy objectives?
3. Should the Government create an associate membership class to facilitate access to RTR? Should alternate approaches be considered?
4. Should registration and regulation under the proposed retail payments oversight framework be a pre-condition for associate membership?
5. How could Payments Canada's governance structure be adapted to allow for appropriate reflection of associate member views into Payments Canada's decision-making process? In what ways could this be designed?
6. What are your views on whether and how to broaden membership so that systems that are designated by the Bank of Canada as systemically important financial market infrastructures can directly access Lynx?

The following constitutes ATB's formal response to the Department's consultation, its response to the above noted questions, as well as questions and comments that ATB has outside of the above noted questions posed by the Department.

**1. *Have the 2015 changes to Payments Canada's governance been successful in better enabling the organization to achieve its public policy mandate to promote the efficiency, safety and soundness of its systems while taking into account the interests of users?***

We believe the changes implemented in regard to Payments Canada's governance have produced material gains toward the objectives set out by the Department. In particular, we feel the changes in board representation have provided for a broader array of perspectives of the payment ecosystem as a whole while also ensuring that there is sufficient knowledge and guidance around existing protocols and mechanisms to keep the direction of the organization realistic.

We feel that the one-vote-per-member voting structure has been effective in reducing the appearance that the largest volume issuers can drive material changes that may not be aligned with the interests of all participants. Additionally, we note that the accountability changes introduced in 2015 are effective in principal, however we feel that this effectiveness has not yet been fully realized by the Payments Canada side. Despite this, we feel that the changes regarding the inclusion of a Member Advisory Council has become a very effective mechanism to influence change and provide direction to the development of the robust payment ecosystem in Canada.

We feel that Payments Canada should establish rules for the Canadian payments ecosystem which provide equity for all financial institutions, regardless of their size and volume. Additionally, we feel that as Payments Canada is an organization which is not profit-driven, it is in a position to provide a competitive and fair price model for all financial institutions in the market.

**2. *Are there aspects of Payments Canada's governance structure that could be improved to better allow Payments Canada to carry out its mandate and serve its public policy objectives?***

We feel that Payments Canada's governance structure could be improved by the inclusion of non-members on its Member Advisory Council. This could benefit Payments Canada by increasing both the base of opinion on the council as well as the visibility of broad inclusion. Currently, having the Member Advisory Council made up exclusively of existing financial institutions creates the issue of a natural bias and does not allow for a

streamlined and efficient process for non-financial institutions to contribute and engage in Payments Canada's governance structure as well.

In addition, we would also like to see the Department exercise its directive rights by setting achievement targets and timelines for the payments ecosystem to work towards. If feasible, we believe it would be advantageous if Payments Canada were able to legally mandate adherence to these achievement targets. If it is not possible to see broad implementation by the entire industry, we would like to see Payments Canada allow for pockets of advanced payment mechanisms to be supported by groups of members whenever their technological capabilities allow. For example, Payments Canada could create "early adopters" groups of members and associate members. This would allow Payments Canada to support the progress of the industry modernization, without being limited by the pace at which slower members adopt the mechanisms.

***3. Should the Government create an associate membership class to facilitate access to RTR? Should alternate approaches be considered?***

Yes, we believe that an associate membership category should be created by Payments Canada. Additionally, we suggest that Payments Canada should give consideration to a sponsorship arrangement between existing Payments Canada members and non-member payment service providers. Such an arrangement could either go hand in hand with associate membership, or could operate as a separate category where existing members could mentor, assist and provide access to non-member payment service providers based on their Payments Canada relationship and infrastructure.

***4. Should registration and regulation under the proposed retail payments oversight framework be a pre-condition for associate membership?***

Yes, we believe registration and regulation under the proposed oversight framework should be mandatory for any associate member to be able to participate in the payments ecosystem. We believe that strict adherence to the principles within the retail payments oversight framework is of paramount importance. We believe that associate members should be required to meet the same requirements regarding compliance with the policies of the retail payments oversight framework as full members, especially if they are to be allowed access to direct participation in Real-Time Rail (RTR), Settlement Optimization Engine (SOE) and Lynx.

**5. *How could Payments Canada's governance structure be adapted to allow for appropriate reflection of associate member views into Payments Canada's decision-making process? In what ways could this be designed?***

As we have mentioned above, we believe that retail payment service providers should be able to participate in working groups and have visibility to other Payments Canada structure. In addition, we feel that Payments Canada would benefit from including mandatory operational components for every associate member which require participation in working groups and other councils as part of their associate membership.

Ultimately, we believe that diversity of representation and inclusion of associate members in working groups and the board of directors, diversity of thought leadership, as well as a fair mechanism to ensure voting representation will be the keys for Payments Canada in moving forward and being innovative.

**6. *What are your views on whether and how to broaden membership so that systems that are designated by the Bank of Canada as systemically important financial market infrastructures can directly access Lynx?***

We believe that the Bank of Canada should not be an operator on behalf of financial market infrastructures that access systems designated as systemically important. These financial market infrastructures should have the ability to obtain membership with Payments Canada, be able to access Lynx, and be governed by the same structures, collateral, and liability as the other participants in Payments Canada. We further believe that direct access to Lynx for these financial market infrastructures could be facilitated by a continuation of the same stringent risk management requirements that the Bank of Canada currently has in place for financial market infrastructures.

***Questions/General Comments***

In addition to our responses to the stated questions, we would also like to make the following remarks and raise the following questions as part of our response.

We note that in section 4.1.1.1 of the Consultation Paper there is a reference to section 3.4. However there is no 3.4 in the paper itself. As a result we would like to inquire as to whether this reference refers to the *Canadian Payments Act* or to another document.

It is mentioned in section 4.1.1.1 of the Consultation Paper that in the event that an associate member fails to meet the requirements of the retail payment oversight regulator, the rights of that associate member could be suspended or revoked. We would like to

inquire as to how this process would operate. For example, would reviews or audits be undertaken on a scheduled basis or only in response to reported incidents?

It is mentioned in section 4.1.1.4. of the Consultation Paper that Payments Canada will shortly consult on its overall policy framework for participation on the RTR, and will subsequently develop risk-based participation requirements. We are curious as to whether Payments Canada is able to provide an estimated date for publishing these requirements.

It is mentioned in section 4.3 of the Consultation Paper that it is expected that only prudentially regulated members that meet high risk management standards will be eligible to access Lynx. We are curious as to whether the Bank of Canada and Payments Canada will publish a standards document in regard to these risk management standards.

In regard to Payments Canada's aims of modernization and inclusion, we feel that the RTR and its broad inclusion of potential payment service providers is a good way of appealing to the interests of an extended set of system users.

Your friends at ATB.

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