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Financial Systems Division
Financial Sector Policy Branch
Department of Finance Canada
90 Elgin Street
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Sent via email to: fin.payments-paiements.fin@canada.ca

To Whom It May Concern:

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

Interac Corp. is pleased to provide this response to the Department of Finance Canada's consultation on the review of the *Canadian Payments Act*. The issues of Payments Canada access and governance are central to promoting a safe, efficient and competitive payments system in Canada. The proposals in the consultation paper follow recent consultations on a new oversight framework for retail payments in Canada. While effort remains to translate these proposals into practice, the combination should lay the groundwork for a richer competitive environment, promoting more open access and innovation in payments, while appropriately managing risk to system participants and users.

About Interac Corp.

Interac Corp. operates an economical, world-class debit payments system with broad-based acceptance, reliability, security and efficiency. INTERAC is Canada's leading payment brand, chosen an average of 16 million times daily to pay and exchange money. For more than 30 years, Interac Corp. and its predecessors, Interac Association and Acxsys Corporation, have facilitated secure financial transactions through the development of innovative and convenient debit and money transfer solutions. A leader in the prevention and detection of fraud, INTERAC services operate with fraud levels among the lowest anywhere in the world.

Interac Corp. is constantly innovating to deliver relevant and cost-effective solutions for connected consumers and businesses. Our services span traditional ATM and POS channels, as well as emerging mobile and digital solutions.

Through INTERAC, Canadians enjoy access to cash at a network of 60,000 ABMs, and can make payments at more than 460,000 merchants from coast to coast. And, INTERAC Flash contactless payments are available at a wide range of merchant locations, allowing for quick and easy payments using an enabled card or mobile device. INTERAC Online offers the convenience of paying for online purchases directly from a banking account. INTERAC e-Transfer is a convenient way to send and receive money directly from one banking account to another, and has grown into a globally-leading platform for P2P, P2B, B2P and B2B money movement. Together with our international solutions for ABM and POS, INTERAC services represent a comprehensive portfolio of solutions that connect Canadians to their money 24/7/365.

Payments Canada Governance

Legislative changes were introduced in 2015 that substantially refreshed the governance of Payments Canada (then referred to as the Canadian Payments Association). Among other things, the changes altered the size and composition of its Board of Directors, enhanced the framework for accountability to the Government, and created new consultative processes to promote effective input into decision-making.

Given the extent of changes introduced in 2015, it remains relatively early to fully evaluate their impact and draw conclusions about whether the Government's objectives have been fully satisfied. Payments Canada is unquestionably a different organization than it was prior to the reforms. The changes to its governance framework appear to have fostered a stronger focus on the future, and Payments Canada has dedicated significant effort and energy since in evaluating the strategic path for the evolution of the national clearing and settlement system.

The result is a modernization initiative that will result in sweeping changes to Payments Canada's technology systems and its rules. It will take time for these changes to be fully defined and implemented (by both Payments Canada and across the industry), and for the impacts to be felt in the market.

In light of the extent of change currently in motion, we would not recommend further governance reforms at this time. Rather, some time is needed to allow current activities to reach their conclusion, and Payments Canada and the market to settle into these new outcomes. Several years of transition remain ahead. In this regard, it might be appropriate to consider a review of Payments Canada governance again in three to five years. In the meantime, focus should remain on developing and delivering new payments clearing and settlement systems, and in transitioning to new access requirements for these systems.

Payments Canada Membership

On the topic of Payments Canada membership, the consultation paper lays out a proposed framework linked to the pending new retail payments oversight framework. It addresses each of Payments Canada's three future core systems – Lynx, the Settlement Optimization Engine (SOE) and Real Time Rail (RTR) – uniquely, and defines general requirements for access to each. The paper proposes a new associate membership framework for Payments Canada, allowing access to the RTR and SOE for Payment Service Providers (PSPs) who will be regulated under the new oversight framework.

Interac Corp. supports the principle of open, risk-based access to payments services. And, we believe it is logical to look to the new retail payments oversight framework as a basis for expanding membership in Payments Canada. Admitting as associate members PSPs regulated under the new framework can be an effective means of opening up access to Payments Canada systems to non-traditional market participants.

Of course, we must acknowledge that the final details of the new framework are not yet available. As such, we would encourage the Government to continue to focus on completing these changes as a first priority.

As we have highlighted previously, we are strongly supportive of the functional and principles-based approaches underpinning the proposed retail payments oversight framework. Translation of these principles effectively into practice will lay a strong foundation for the Payments Canada membership proposals outlined in the consultation paper, and ensure that payments system participants are subject to appropriate requirements and supervision to aid in the mitigation and management of risk.

Finally, the consultation paper highlights that Payments Canada members will be required to meet eligibility criteria for participation in each of its core systems, noting that Payments Canada will shortly consult on its policy framework for participation. We look forward to further dialogue on these more detailed requirements as an important element of the access framework.

Conclusion

In closing, we thank the Department of Finance for the opportunity to provide our views on Payments Canada governance and membership, and look forward to continued participation in the review of the *Canadian Payments Act*. Should you have any questions about the views expressed in this response, please do not hesitate to reach out.

Sincerely,



Kirkland Morris