

By Email

July 23, 2018

Financial Systems Division
Financial Sector Policy Branch
Department of Finance Canada
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Email: fin.payments-paiements.fin@canada.ca

Dear Mesdames/Sirs,

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

Thank you for the opportunity to respond to the Department of Finance's *Consultation on the Review of the Canadian Payments Act* ("Consultation"). As always we are very appreciative of the Department of Finance's willingness to consult with system stakeholders and Canadians in general.

Peoples Trust Company is a mid-sized Canadian financial institution with Assets Under Administration in excess of \$10.3 billion. Headquartered in Vancouver, Peoples Trust also has offices in Calgary, Toronto and Montreal. We consent to the disclosure of this submission as a whole, though we do ask that personal identifiers be removed.

The Consultation asks a series of questions and we propose to answer those questions as follows:

3.2 Questions for consultation

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?*

As an ambitious and innovative federally regulated financial institution, we welcomed the introduction of a majority-independent board that reflects a broader public interest. We believe this was an essential change for a centralized association that oversees the payments ecosystem, which is core to our economy.

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We are honoured to be a participant in the Member Advisory Council and actively participating in the discussions around the Modernization Program. We have observed a payments association with knowledgeable professionals that are committed to meeting the mandate of Payments Canada, with input from members (MAC) and stakeholders (SAC). The recent combined MAC-SAC meetings, as well as the well-attended Payment Summit 2018 reflects active engagement with the industry.

Not being privy to the board meetings, we cannot comment directly on the functionality of the revised Payments Canada board of directors. However, the change to a 13-member board with the majority of members being independent has been viewed as a foundational step to effect efficient and impartial governance of an organization that touches on so many aspects of Canadian business, the economy and the public in general. The active pursuit of stakeholder input and involvement (MAC & SAC) has been well received and is considered essential to a successful modernization process. This is viewed as positive evidence of the new board's renewed functionality.

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?*

As MAC member, we are participating in discussions around further optimization of strategic thinking, decision making and execution through the various committees. However, time is of the essence when it comes to modernization. The exceptionally fast pace of changes in the payments industry worldwide necessitates that the modernization process in Canada not be delayed. There is potential for further micro-steps that will assist in promoting innovation and a level playing field. Specifically, an expedited waiver application and review process could be considered for special circumstances or antiquated rules. An example of its application would be in the examination of exceptions to ACSS Rules such as D3, 6(a) restricting an indirect clearer to no more than one Clearing Agent. Temporary changes like this being in place while the modernization structure is made effective, stage by stage, could be of great benefit in achieving some elements of the modernization goals more quickly.

4.1.1.5 RTR Settlement

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

We welcome the idea of allowing non-FIs to participate in a real-time payments environment. We suggest a distinction be made between exchange (technical) and clearing (financial) functions. We recommend the design of an associate membership class with only this technical facilitation in mind. This will help to enable innovation at the technical level with the registration and oversight of these associate members while ensuring safety and soundness is protected with only full members involved in clearing

and settlement. Full direct membership should be opened to all federally regulated financial institutions wishing to utilize the SOE and RTR to provide clearing and settlement services for the associate members.

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

Yes, as it ensures eligibility, qualification and control. This holds true if such associate member registration and oversight does not impose duplicate regulation and oversight already provided by a direct clearing member who is facilitating the settlement services for the associate member. In other words, an associate member need not be overly burdened by reporting requirements that can be facilitated by their chosen direct clearer. Further, regulators need not be overly burdened by the additional overhead of managing directing and holding to rule, the leading-edge innovators who register as associate members to gain technical access to the RTR.

3. *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?*

We don't have any specific viewpoint at this moment, other than to suggest that the interests of all members, for any membership type, should be captured and considered for design, decisioning and execution by Payments Canada. This could be as structured as associate member participation in committees and working groups, or as informal as associate member and stakeholder surveys and consultations like this one.

4.3 Membership – Lynx and Systemically important FMIs

1. *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?*

With the intent to remove the 0.5% volume threshold, we understand there could be an interest from FMIs to participate in LYNX directly. At this moment, we do not expect to become such a participant in the foreseeable future. We are open to learn more about our financial and technical obligations to articulate a formal viewpoint. However, permitting direct membership for any interested federally regulated financial institution, thereby enabling their access to the SOE and RTR for clearing and settlement is one of our key priorities. Through such direct membership with clearing and settlement privileges, we will then be able to better facilitate and expedite innovation while preserving the safety and soundness of the payments system.

Again, thank you for the opportunity to take part in the Consultation and we would look forward to taking part in further discussions.

Yours Truly,

[REDACTED]
[REDACTED]