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The Electronic Transactions Association (ETA) submits these comments in response to the Retail Payments Advisory Committee's (RPAC) call for feedback on current practices in transaction reporting and how a potential approach on reporting the number and value of retail payments can be developed under the *Retail Payment Activities Act (RPAA)*. We hope that these comments assist the Bank of Canada in developing a reporting regime that is well grounded in the principles of proportionality, consistency, and efficiency.

ETA is the leading trade association for the payments industry, representing over 500 companies that offer electronic transaction processing products and services. ETA's members include financial institutions, mobile payment service providers including cross-border remitters, mobile wallet providers and non-bank online lenders that make commercial loans, primarily to small businesses, either directly or in partnership with other lenders. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with safe, convenient, and rewarding payment solutions and lending alternatives.

ETA and its members appreciate the importance of transaction reporting within a compliance framework and understand the need to provide information for monitoring purposes within the RPAA. Nonetheless, we continue to have concerns about potential excessive and burdensome requirements in reporting and elsewhere within the framework. Today, the growth of payment services has resulted in an expansion of financial intermediation, with payment service providers (PSPs) fulfilling a variety of roles, whether it be initiation, authorization, transmission, reception, clearing or settlement services. Subsequently, a common policy challenge when it comes to regulating such a diverse industry revolves around deciding how to apply new reporting and compliance obligations. Accordingly, we appreciate the efforts the Bank has undertaken to understand the perspective of PSPs as underscored by this request for comment.

ETA respectfully submits that where possible the Bank of Canada should seek to leverage existing regulatory tools to minimize compliance redundancies. The payments industry is already subject to reporting requirements by other regulatory agencies such as FINTRAC and through their commercial relationships with FRFIs. We therefore take the view that a transaction reporting regime should replicate existing practices and minimize any duplicative efforts, so that PSPs can better prioritize the delivery of secure and low-cost payment services to Canadians.

Additionally, ETA continues to have concerns about the potential extraterritorial application of the RPAA and lack of clarification around what constitutes an end-user in the context of the RPAA. Given the foundational nature of these concepts, without additional guidance, it not only creates unnecessary complexities and burdens with respect to reporting around numbers and values of activities, but through the rest of the core RPAA requirements as well. Additionally, lack of clarity runs the risk of making Canadian requirements out of step with all other leading regulatory regimes around the world and, in most cases, inconsistent with ETA members current reporting practices. These concerns are addressed in greater detail in the comments below.

Current Practices in Transaction Reporting

As highlighted above, the payments industry is highly varied and diverse, but some of the common transactions ETA members usually facilitate pertain to consumer-oriented cross-border, cross-currency, and domestic money transfers.

A typical transaction flow would then look like this:

Canadian sender initiates transaction at a retail location; internet; mobile app, or at an ATM/kiosk, funded with cash, debit/credit card, or bank account → Transaction data flows through PSP system or goes onward to another PSP → Funds deposited or ready for pick up. To facilitate this, ETA members rely on a combination of intermediaries (correspondent bank partners) and payment systems (Interac e-Transfer) to settle transactions.

Additionally, there are two scenarios which emerge from an end-user initiating a transaction – one which requires the end user to register an account, and one where the end user could use a payment service without an account. The former is a more common business model among PSPs, where an e-wallet or multi-currency account is required before funds can be transferred. The latter may refer to remittance service providers that have a physical presence, where one needs to provide his/her personal details to initiate a transaction but an account with the PSP is not necessary. In both scenarios, the PSP would be responsible for any anti-money laundering requirements from the Financial Transactions and Reports Analysis Centre (FINTRAC) and other applicable Canadian laws and regulations.

In most cases, the issues of encryption and availability of transaction data are not a problem when it comes to reporting, and transactions are often facilitated with the end-user defined as the initiator/sender and not the recipient or payee of the funds transfer. With this principle in mind, ETA's members can determine where a money transfer originates and if the end-user (initiator/sender) is physically present in Canada, with a money transfer between a sender and a receiver treated as one transaction even if it goes through different intermediaries before the transaction is finally settled on the recipient's side.

Implications on the RPAA on a Potential Approach to Reporting on the Number and Value of Retail Payments

Based on information provided in Part II of the Concept Note, the proposed approach for reporting appears to be consistent with current reporting practices adopted by most of ETA's members, but only under the assumption that the end-user is the payor, and the scope of this regime is limited to Canadians physically transacting in Canada. These important details remain unclear which makes definitive answers to the questions posed difficult answer with certainty.

Again, ETA is concerned that an extraterritorial application of the RPAA would result in a more onerous reporting process that does not deliver any additional consumer benefits and is not aligned with other leading jurisdictions. Additionally, it is worth noting that the burden to PSPs stemming from an extraterritorial application of the RPAA would reach far beyond the reporting aspect of this regime. If the definition of an end-user is extended to the recipient, and the scope of the RPAA extended to Canadians transacting outside of Canada, it would substantially raise additional challenges for PSPs when it comes to meeting their obligations under the RPAA and

could lead to PSPs leaving the Canadian market as costs associated with compliance are real, significant, and factor into business decisions.

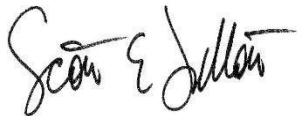
The operational burdens of implementing additional reporting requirements not only affects efficiency but also diverts resources away from PSPs that could otherwise be allocated to other commercial activities, fraud prevention, and anti-money laundering initiatives. Again, PSPs could be disincentivized from offering their innovative and lower-cost payment services to Canadians, rendering Canada's payments modernization efforts redundant. ETA and its members also do not believe that the compliance costs and reporting burden for complying with the RPAA globally for those end users that have a Canadian "connection" contributes meaningfully to public confidence in Canadian retail payment systems, one of the objectives of the RPAA.

Hence, ETA urges the Bank of Canada to provide greater clarity around the definition of an end-user and reconsider or clarify their approach to geographical scope. ETA also submits that the existing protocol for reporting would be sufficient to offer the right amount of data to ensure that the integrity of the financial system in Canada is safeguarded.

Conclusion

ETA thanks you for the opportunity to submit these comments. We would be pleased to discuss the comments herein with the Committee in greater detail and look forward to working with you to advance a progressive and innovative payments ecosystem in Canada.

Yours respectfully,



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