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### **Comments re: Canada's New Real-Time Payments System Policy Framework**

The Electronic Transactions Association (“**ETA**”) submits these comments in response to Payments Canada’s request for comment on Canada’s New Real-Time Payments System Policy Framework. ETA and its members support Payments Canada’s vision for modernization and specifically the introduction of a Real-Time Rail (“**RTR**”) to serve as a platform for innovation in the Canadian payments ecosystem. We hope that these comments will assist Payments Canada in tailoring the RTR platform for wide application that would encompass ETA members, including Canada’s leading financial institutions, global payment networks, and the broader FinTech industry.

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, mobile wallet providers, money transmitters 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. As a result, ETA applauds Payments Canada’s commitment to innovation and its efforts to develop the RTR platform in a manner that will benefit both consumers and businesses.

ETA and its members support an inclusive financial system that provides secure and faster payments with enhanced functionality to benefit consumers and businesses. In that regard, ETA believes that it is important that the eligibility criteria to participate in the RTR platform, and the accompanying legal rules and framework, continue to be developed in a manner that allows access to the payments ecosystem (whether directly or by way of a sponsorship model) and facilitates continued innovation and development while maintaining a proper risk management framework. The ETA and its members believe that broader access to the RTR will ultimately enable more market participants to deliver innovative payment overlay services to customers at a favourable cost.

In keeping with the foregoing, ETA and its members believe that the following principles are important in developing the future state for Canada’s payments framework.

#### **System Access**

ETA and its members agree that in establishing eligibility criteria for the RTR system, Payments Canada should establish minimum standards for RTR participation with rules for all participants to follow. Experiences elsewhere in the world have found that easing barriers to entry into the payment system, with the appropriate controls to maintain safety and soundness, leads to increased competition and innovation in the provision of payments services which ultimately

benefits both consumers and businesses. ETA and its members support Payments Canada in its work to pursue this objective.

In determining eligibility for access to the RTR, the gatekeeping function should also be proportional to the risks that the system aims to mitigate. In that regard, the ETA and its members believe that in allowing stakeholders to access the RTR, the rules should take into consideration an institution's risk profile, size, institution type, the products it offers and what regulatory regime it is subject to. The ETA believes that proper access rules formulated using objective risk-based criteria will serve as a platform for innovation in the Canadian payments ecosystem, in line with the stated policy objectives of Payments Canada.

### **Fostering Innovation**

In formulating the access rules, Payments Canada should tailor the approach so that it is appropriate for broad participation. In that regard, the access rules should ensure that ETA members and the broader FinTech industry is provided with a level playing field so that it can effectively compete in the Canadian market and create a positive regulatory environment for innovation. Where the regulatory requirements are too onerous and are not developed in accordance with sound risk management practices, it will be more difficult for the stakeholders to participate and as such, competition and innovation will be lessened.

The ETA and its members also recognize that while the goal of fostering competition and innovation is important, it needs to be balanced against mitigating risks in the payment system. In keeping with the foregoing, in the event that Payments Canada determines to allow access to the RTR platform through a sponsoring institution, then, in those circumstances the proposed regulatory burden for the FinTech industry should be lightened, as the sponsoring institution would be undertaking its own due diligence on the FinTech participant and be responsible for its actions, thereby lessening the risk on the system. Alternatively, where the model adopted allows direct access to the RTR platform by the FinTech industry, it is more appropriate for there to be more rigorous controls. In this case, we believe that all RTR participants should conform to the same risk frameworks.

### **Encourage Competition**

The ETA and its members support an inclusive financial system that provides high quality, secure and affordable financial services for the broadest set of consumers and businesses. In that regard, the ETA fully supports a modernized payment system that will result in increased competition and financial inclusion while also ensuring safety and soundness. In order to maintain a competitive marketplace, it is important that Payments Canada, as part of its modernization effort, take into account the costs of participation that may be imposed on all participants for using the RTR platform, whether directly or indirectly, so that all participants are on a level playing field.

### **Safety and Soundness**

ETA members and the broader FinTech industry offer a number of benefits for consumers and end users including financial inclusion and access to affordable financial products and service. The safety and soundness provisions of the RTR platform should be tailored to preserve these benefits while addressing safety and soundness considerations.

As such, the ETA and its members agree that there should be established rules and standards that will incorporate a baseline set of requirements to enable payments to move securely where end users have trust and confidence in the system. In keeping with the regulation of Prominent Payment Systems, the ETA and its members support a system that addresses legal, credit, liquidity, operational and other risks across the system.

Whether RTR access is provided to FinTech participants directly or through a sponsoring financial institution, the final framework adopted should be both fast and secure. The ETA and its members encourage Payments Canada to work with banks and/or other institutions with direct access to the RTR platform to ensure the adoption of a collaborative approach which allows for the sharing of information to enhance cyber security threat protections and support payment system resiliency while at the same time enabling FinTech's to seamlessly adopt to the required protocols. Ensuring the proper rules are crafted will aid in achieving broad adoption, safety, trust and the required interoperability between systems and parties. The participation requirements for the RTR platform should be crafted to ensure all banks and non-banks have operational, financial and legal capacity to fulfill their obligations. If there is a sponsored system, the rules and frameworks for access should be agreed to in cooperation with the FinTech industry.

### **Supporting Convenience**

Canadian businesses and consumers want their payment experiences to be simple, flexible, and convenient, to the point of being "friction-free." Exposure to innovative new service providers have set a new standard for friction-free payments. To address these needs, in 2017<sup>1</sup> Payments Canada indicated that the RTR platform will enable more convenient payments through Proxy/Alias Services, including public identifiers such as a phone number, email address or social network profile. Alias-based payments enable an end-user to send a payment without knowing the receiver's bank account number, and is an approach being explored by the United States Federal Reserve based on suggestions from commenters. Payments Canada has also acknowledged that the use of proxy identifiers and aliases instead of sensitive or private banking information protects end-user account information. Given the convenience and security which Proxy/Alias Services offer users, ETA supports the use of Proxy/Alias Services as an identifier for participation in the RTR platform.

### **Exceptions Handling**

Payments Canada proposes to adopt the same approach to address exceptions handling for RTR transactions that is in place today for common direct credit payments from deposit accounts with Payments Canada outlining the processes to be followed between RTR Participants and RTR Participants determining policies for their account holders. ETA supports the approach proposed with Payments Canada regulating the interaction among RTR Participants, and participants establishing their own processes for account holders, as subject to federal and provincial regulations.

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<sup>1</sup> [Payments Canada, Modernization Target State, 2017.](#)

## Vendor Selection Process

An open, transparent and competitive dialogue process was initiated for Lynx, and we would encourage that the same rigour be applied in the final selection of the Real Time Rail (RTR) vendor. While it is our understanding that other service providers may eventually be allowed to bid on work associated with the RTR, the specific timeframes and criteria are opaque. The ETA and its members believe that a more open and transparent bidding process, as well as clearer timeframes, would drive competition and innovation, bring in international expertise and invite more points of view.

As such, the ETA and its members strongly encourage an open and transparent bidding process and more open access for service providers as Payments Canada moves forward with the RTR. Canada has the unique opportunity to fundamentally overhaul how it understands payments and build a globally competitive payments system, and as such, the ETA and its members encourage Payments Canada to adopt a global approach.

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ETA thanks you for the opportunity to submit these comments.

Respectfully submitted,



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