

# Canadian Payments Association Response to “The Way We Pay: Transforming the Canadian Payments System” A Discussion Paper of the Task Force for the Payments System Review

**August 2011**



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# Executive Summary

The CPA, as the guardian of Canada’s national clearing and settlement system for payments, has been engaged over the past two years with CPA member institutions, a broad constituency of stakeholders to the payments system and members of the Task Force for the Payments System Review itself (hereafter the Task Force), regarding the future of Canada’s payments system.

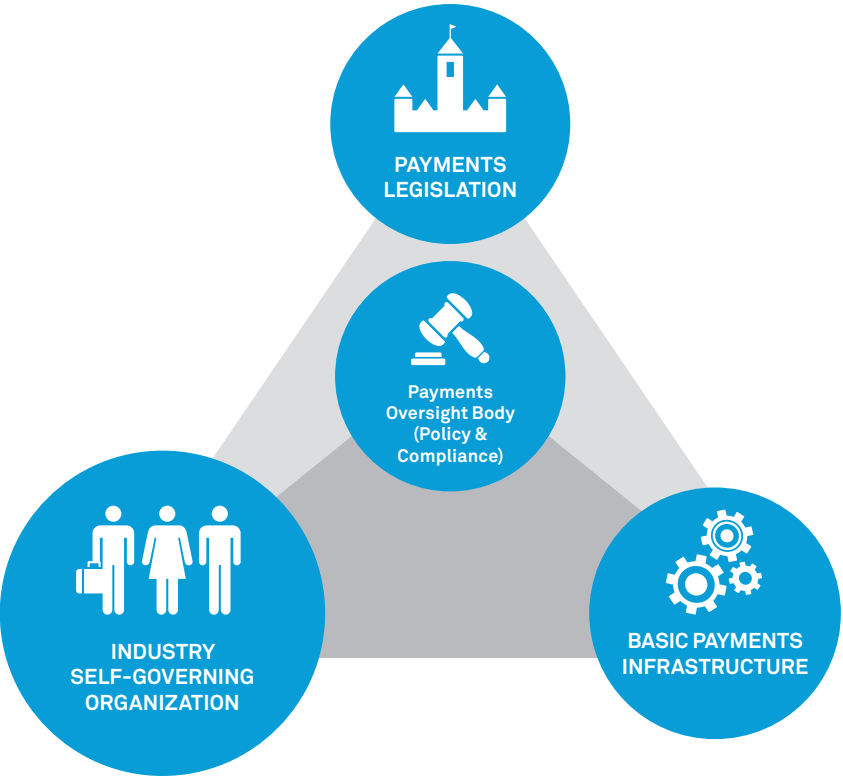
The culmination of these experiences has greatly assisted the CPA in the preparation of its feedback to the Task Force in respect of “The Way We Pay—Transforming the Canadian Payments System.”

The CPA is supportive of the Task Force’s guiding principles for the payments system. At a framework level, we concur with the need for a common level of oversight that is applicable to all forms of payment. The level of oversight and regulation should be based on the risk presented to the system and

its participants, and it should be balanced. Similarly, the governance framework must be comprehensive, appropriate and efficient in its structure and operations.

CPA’s previously released long-term payments strategy, “Vision 2020”, presents a set of industry needs and describes a governance framework that closely aligns with the Task Force’s proposed direction, as set out in the discussion paper. While the direction in the discussion paper is consistent with the guiding principles articulated for the payments system, the level of detail regarding the Payments Oversight Body (POB), the Industry Self-Governing Organization (SGO), and Basic Payments Infrastructure impacts the CPA’s ability to fully comment on the recommendations for change at this time. An enhanced level of understanding of the new ecosystem and the inter-relationships of its component parts is a prerequisite to a thorough assessment of its efficiency and potential effectiveness. As such, our feedback seeks clarification of roles and responsibilities and the inter-relationships between the key components.

**PROPOSED GOVERNANCE FRAMEWORK** .....  
**PUT FORWARD BY THE TASK FORCE FOR THE PAYMENTS SYSTEM REVIEW**



For the Payments Oversight Body (POB), it is vital that it has a clear delegation of authority from the Minister of Finance and that its role be supervisory in nature. Were the POB to assume a greater participatory role in the ecosystem, it could easily conflict with the activities of the SGO. Additional levels of approval could result from an expanded hierarchy governing the payments industry, undermining the principle of “light touch” regulation. Under those circumstances, the role of the SGO and the Basic Payments Infrastructure could be muted, stifling the effectiveness of both the SGO and the entire payments ecosystem.

The SGO appears to be the central component to the ecosystem, providing a bridge between the oversight body and the payments infrastructure or other scheme operators or payment service providers that would be responsible for establishing the specific requirements for inclusion within their system of rules and processes. To that end, the SGO should have the authority to actively monitor and ensure compliance with its payment policies and standards.

The Basic Payments Infrastructure should more appropriately be referred to as a “common” or “essential” infrastructure, in our view. The structure of the Infrastructure entity is uncertain but its transformation will likely have implications to existing market participants. The technological transformation to a digital economy will also require significant investments. The plans will entail developing a fair and equitable cost-sharing model for all participants. The principle that access to the payments

system reflects a fair funding commitment must be respected.

The international dimension of the payments system is absent from the proposed framework for the Canadian system. In the CPA’s view, the new Canadian ecosystem acts within or as part of a global ecosystem—a factor that should be reflected in its future framework.

The CPA is pleased to be involved in some of the Working Groups of the Task Force, and we would encourage further consultations by the Task Force.

The CPA has a long-standing proven track record for managing the national payments system. In over thirty years of operation, the CPA has developed extensive payments expertise, its systems offer an impeccable service level record, and the Association makes use of a broad public consultative process that seeks to balance the interests of members and users of the payments system. **The CPA is committed to embodying the following principles:**

- i. a willingness to change;
- ii. to be and act more inclusive;
- iii. more independent governance; and
- iv. a fair funding model.

Considering the Vision 2020 strategy and its ongoing evolution, the CPA will continue to provide the national payments infrastructure for the future.

# 1. Introduction

**The payments system is a collection of rules, systems and processes that have far-reaching implications for all Canadians and businesses operating in Canada. As such, the mandate of the Task Force crosses many issues and encompasses varied interests.**

The construct of and approach taken by the Task Force to engage and be inclusive of the broadest possible group of interested stakeholders has been important for an informed debate. Only through a collaborative model of engagement will effective and appropriate solutions be found that will position Canada as a leader in the digital economy.

Given the exchange of ideas thus far, our written response to “[The Way We Pay](#)” will focus on the principles and governance framework outlined in Chapters 4 and 5, respectively. To begin, we will outline the CPA’s current role in the payments system—at the nexus of a growing and changing environment underpinning financial transactions in the digital economy.

## 1.1 Our Role in the Canadian Payments System

The Canadian Payments Association (CPA) has and continues to play a leading role in the day-to-day performance of Canada’s financial system by operating safe, sound and efficient national clearing and settlement systems that Canadians rely upon. As the Bank of Canada explains: “Since clearing and settlement systems underpin virtually all of the transactions undertaken in the economy, their safe and efficient operation is important to the sound functioning of the economy. Disruptions in major systems can have serious implications for participants that can extend to the financial system and to the economy more generally.”<sup>1</sup>

The CPA brings together financial institutions, payment service providers, businesses, governments and consumer organizations to facilitate and implement the underlying rules and policies for the national payments highway and operates the critical infrastructure that enables the movement of billions of dollars across the country each day.

The CPA’s Automated Clearing Settlement System (ACSS) and Large Value Transfer System (LVTS) cleared and settled on average over \$170 billion in transactions every business day, for annual totals of \$43 trillion in 2010, and had availability rates of nearly 100%. On average, 24 million payments cleared each day through CPA systems, representing over 6 billion payments during 2010.

<sup>1</sup> Neville Arjani and Walter Engert, “The Large-Value Payments System: Insights from Selected Bank of Canada Research,” Bank of Canada Review, Spring 2007, p. 31

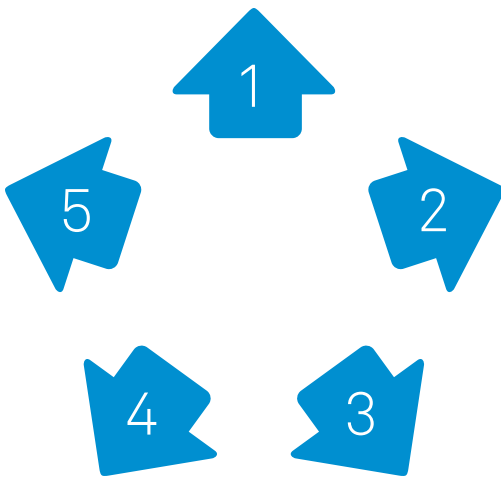
The CPA was instrumental in driving the transition from cheques and paper in the '80s to electronic payments in the '90s.<sup>2</sup> And “The Way We Pay” continues to change today, bringing more choice and innovation to the payments marketplace than ever before. As electronic payments continue to dominate the landscape, the CPA is committed to continuing to advance Canada’s interests in becoming a leader in the digital economy. The roadmap to the CPA’s future vision, “Vision 2020”<sup>3</sup> leverages global developments of new procedures and processes, and payments technologies, including wireless and contactless, to drive the evolution of the system.

<sup>2</sup> Formerly a predominantly paper-payment economy, electronic payments now represent 85% of the volume of payments exchanged in Canada. Since its creation in 1980, the CPA has facilitated the introduction of electronic payments by shepherding the arrival of Automated Banking Machines, direct deposits, and in-store and

online debit purchases, among other electronic payment methods.

<sup>3</sup> “CPA Payments Strategy: Vision 2020” is available on the CPA website at [www.cdnpay.ca/imis15/pdf/pdfs\\_news/payments\\_strategy\\_vision\\_2020.pdf](http://www.cdnpay.ca/imis15/pdf/pdfs_news/payments_strategy_vision_2020.pdf)

## CPA PAYMENTS STRATEGY VISION 2020 OVERVIEW



### 1 Support the Growth of Electronic Payments

Promoting modern, innovative, safe and sound frameworks that support the introduction and usage of electronic payments;

### 2 Drive Efficiencies in Payments

Driving efficiency for the CPA clearing and settlement systems, CPA members and payments users by identifying the opportunities to improve interoperability and straight through processing (STP) capabilities for CPA clearing and settlement systems, and reducing costs;

### 3 Modernize CPA Legal Framework

Modernizing the CPA legal framework (Act, bylaws, and rules) to reflect and better accommodate new clearing arrangements, business models and emerging market participants and payment products;

### 4 Enhance CPA Exchange, Clearing & Settlement Technology

Enhancing the robustness and resiliency of CPA technology, networks and applications for clearing and settlement, by developing and implementing a multi-year technology strategy that improves clearing and settlement arrangements and accommodates evolving electronic payments;

### 5 Expand Value-added Services

Enhancing services which promote knowledge and information sharing to better meet the needs of CPA clearing and settlement system participants and users.

# 2. Key Issues

**In its role, the CPA has gained valuable insights from its members, stakeholders and international counter-parts on the emerging issues and evolving needs of payments and the payments system.**

For the industry<sup>4</sup> or the country to reap the ultimate rewards of the truly digital economy, we must recognize the issues and make some difficult choices if we are to excel. The drivers for change are apparent. The globalization of markets, the ever-increasing rate of technological change, increasing complexity of services and the need for greater transparency and risk mitigation tools continue to test traditional market strategies. Enhancing the governance models for the payments system and promoting a collaborative industry-wide approach to setting strategy and standardization among all participants are keys to success.

**At the outset of the Task Force's work, the CPA made the following observations in its first submission about the key challenges to address when looking at the future of Canada's payments system:**

→ There is a **need for strong, more effective payments system governance**. Growth and transformation have led to new industry participants, alternative services and payments that are not governed by CPA by-laws and rules;

- There is currently **an imbalance of oversight**. The lack of oversight for many new retail payment mechanisms means that similar payments are not subject to similar rules, which may affect the consumer and merchant experiences;
- There is **lack of clarity around requirements**. Similar payments instruments do not necessarily share the same requirements or attributes with respect to consumer protection, participant liabilities, security or authentication, etc.; and,
- **Collaborative strategy setting** is required. The vision for the future Canadian payments system requires cooperation and coordination among various players to resolve a number of fundamental issues. For the transformation to the digital economy to succeed, there is a need to develop a new cost-sharing model to sustain the necessary investment.

<sup>4</sup> When referring to the "industry" in this paper, the CPA is referring to the firms that make up the payments value chain, e.g. financial institutions, originators, scheme operators, acquirers, payments processors, payments service providers, or others who provide

payment-related services, such as authentication, authorizations, data exchange, and users such as consumers and businesses.

# 3.

## Guidance for a New Payments Ecosystem

**Throughout the discussions initiated by the Task Force, the CPA has drawn from its experience and understanding of the key issues facing the payments system in setting forth concepts that should guide the development of the Canadian payments ecosystem of the future, namely:**

- 1** Regulation of the payments industry should follow a principles-based approach with the objective of being “light touch,” appropriate to the risk presented to the system and its participants;
- 2** The “payments” industry should be subject to common oversight requirements;
- 3** To the greatest extent possible, the industry should be self-governed; and
- 4** There should be an ongoing commitment from government and industry participants to set national payments strategies and ensure industry coordination.

These proposed concepts align well with the principles driving the Governance Framework, as detailed in Chapter 4 of the Task Force’s discussion paper. Those principles include minimal regulation, consistent standards, neutrality by function, independence and inclusivity, among others.

In the CPA’s view, further qualifying light regulation means that the regulation is both appropriate, given the potential risks, and balanced. The CPA

believes that the Task Force’s principle of proportionality (taking into account the risk involved) and neutrality by function (applying rules to the activity performed rather than to an institution) are helpful corollaries to the concept of light regulation. Given the criticality of the payments system to Canada and Canadians, it is imperative that the overall safety and soundness of the system is not undermined, even by a need to promote innovation or technological efficiency. Maintaining balance between these often competing objectives is required.

Given the scope, importance and impact of the national payments system, the CPA reaffirms the view that the payments ecosystem be guided by clear public policy objectives. Guiding principles, in combination with an industry self-governance model that creates a regulatory partnership between industry participants and oversight authorities, are essential for continued growth of this industry and the realization of Canada as a leader in the digital economy.

# 4. Comments on the Payments Ecosystem of the Future

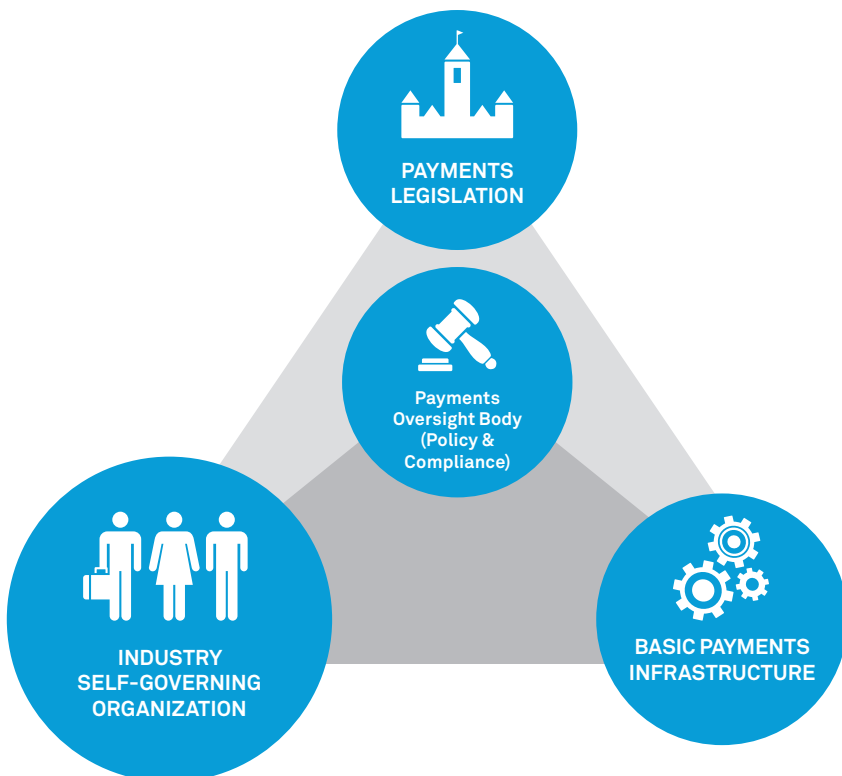
The CPA commends the Task Force for echoing the need for a new approach to governance and a more collaborative approach for setting strategy for the payments system. Overall, the approach outlined in the Governance Framework by the Task Force aligns with the CPA’s long term payments strategy, “[Vision 2020](#),” which was released last year. There are details on elements of the ecosystem, in particular the precise roles and responsibilities, which remain unclear in “[The Way We Pay](#).” In this regard, the following comments are offered for consideration.

## 4.1 Proposed Governance Framework

In principle, the CPA supports the proposed governance framework and agrees with the need for a common level of oversight over all forms of payments.

The Task Force’s definition of payments as the “transfer of value” and a new regulatory focus on functions rather than roles in the payments system suggest a broader application of oversight. In the CPA’s view, the Task Force is implying that common oversight of all payments types, functions and participants would be appropriate in the future, in contrast to the current imbalance of oversight across the payments system. This approach should also extend to areas such as the allocation of liabilities and protections, where there is a need for common rules and oversight for common payments.

### PROPOSED GOVERNANCE FRAMEWORK PUT FORWARD BY THE TASK FORCE FOR THE PAYMENTS SYSTEM REVIEW



The Task Force has also identified an important principle that should guide this broader oversight, namely that it should be “light.” There will be regulation where appropriate and required to safeguard the clearing and settlement system. Overall, light regulation will help to foster industry-wide innovation at the product, service and processing levels, an outcome desired by most users of the payments system.

The concept of proportionality in terms of level of regulation needs to be well understood. It is directly related to the level of risk inherent in the payment under consideration. The key complication of regulation in the payments industry is the dynamic nature of the industry. Generally, as new services emerge, their relative importance within the industry is small; but for many of these services, their potential to go “viral” and experience exponential growth is a reasonable assumption. As such, regulation of products and services needs to be flexible, dynamic and applicable industry-wide. That said, a minimum level of protection for payments is still required to manage the various risk exposures.

The Task Force identifies the different components of a functioning payments ecosystem: legislation, oversight, a collaborative forum and an essential infrastructure. While we will comment on the roles and responsibilities of each component later in this document, to ensure the efficiency of the overall system, the efficiency of oversight functions must be carefully considered.

The international dimension of the payments system is also important to the design of a framework for the Canadian system. In the CPA’s view, the Canadian ecosystem is part of a global payments ecosystem. The discussion paper suggests Canada could become a global leader in payments and that domestic standards should facilitate global interoperability, but it is silent on whether or how to ensure international coordination within the governance framework. The articulation of the payments ecosystem should include an international dimension, in the CPA’s view.

## 4.2 Clearly Defined Roles & Inter-Relationships Between Components

The roles and responsibilities of each component must be fully and clearly articulated and the roles of each must be mutually exclusive for the governance framework to be effective.

The framework put forward by the Task Force suggests that the overall success of the Canadian payments system in the digital economy rests on strong components working together with minimal overlap. For this to occur, each component must have an important and uniquely defined function, mutually exclusive of the others, and must clearly understand its role within the ecosystem and its relationship with the other components.

### 4.2.1 Payments Oversight Body (POB)

The role of the POB should be focused on oversight responsibilities. The proposed governance framework also raises questions about the roles of the existing regulatory authorities, relative to new bodies such as the POB.

The roles and responsibilities of the POB and those of the SGO as set out in the discussion paper are high level and there may be potential overlap or duplication between these bodies. The Task Force indicates that both the POB and the SGO will have policy and compliance roles. Additionally, the POB would have regulatory responsibility as a means to reinforce good conduct and address non-compliance by the SGO and/or industry participants.

In the CPA's view, the articulation and enforcement of high-level policy would be the domain of the POB, while the SGO would be responsible for setting and ensuring compliance with payments policies and/or payment industry standards by scheme operators or payment service providers. (For their part, the scheme operators would set their own technical and procedural rules, consistent with the policies and/or standards of the SGO.)

In reviewing the POB's structure and based on the CPA's experience working with regulatory authorities, the Association would like to highlight the potential for overlapping responsibilities between the POB and other existing oversight bodies for clearing and settlement, namely, the Bank of Canada and of the Department of Finance, as well as other regulatory authorities including OSFI, FCAC, CDIC and relevant provincial authorities. The central concern of the CPA is the potential to create overlapping responsibilities between the new components to the ecosystem and the existing financial regulatory agencies.

As an oversight body, the POB must have clear and precise delegated authority from the Minister of Finance, and the relation of their authority to powers that reside under provincial jurisdiction must be well understood.

**<sup>5</sup> If the SGO were not created by statute (or if it did not act within its standards-setting role), then the POB would need to have the authority to set industry standards or the power to delegate that authority to an appropriate industry body, and compel participants in the ecosystem to adopt and enforce these standards.**

#### 4.2.2 Industry Self-Governing Organization (SGO)

**In the absence of legal authority and a clear mandate, the SGO may be challenged in its ability to influence the behaviour of payments participants.**

It is proposed that the SGO will develop standards and promote collaboration by means of all-inclusive, mandatory membership, which includes financial institutions, payments processors, organizations that issues payment cards and telecommunications companies, among others. Given this mandate, the CPA believes that details on the SGO's authority, its governance, its scope, and the enforceability of its policies and standards, will be critical to its effectiveness.

While the intent is to have industry-wide mandatory membership within the SGO, it is not clear that the organization itself will have the authority or ability to properly incent the members to act in the best interests of the industry. Given the SGO's proposed purpose to achieve coordination and industry-wide collaboration, this is likely to present a significant challenge because of both the diversity of interests among the potential members of the SGO and in the potential absence of legislative authority to compel industry participants to work to this end.<sup>5</sup> Additionally, it would be helpful for the Task Force to clarify how the voluntary membership of consumers' and merchants' groups will be encouraged in light of the SGO's self-funding model, and whether the voluntary members will have any voting rights on issues, relative to other members.

**The role of the SGO to develop industry-wide standards and broad payments policy is supported by the CPA. However, it would not be appropriate for the SGO to promulgate technical and procedural rules for payments infrastructure and for any other scheme operator.**

The discussion of the governance framework is silent on the nature of the relationship between the SGO and the Infrastructure entity. The CPA would like clarity from the Task Force to ensure that the SGO will not be mandated to develop and promulgate rules applicable to the Payments Infrastructure and any other scheme operator.

The entity responsible for the establishment and maintenance of the payments infrastructure should be responsible for developing its own rule set for processing, exchange, clearing and settlement of payments. The setting of rules by the scheme operators and infrastructure allows these entities to differentiate their products and services and promotes competition among the participants in the ecosystem. As the developer and operator of the technical infrastructure, the CPA designs its technical specifications and procedures in order to satisfy

its public policy mandate to promote the efficiency, safety and soundness of its clearing and settlement systems. In a future state, it would be inefficient and impractical for a separate body to develop technical and procedural rules for the payments infrastructure or any payments scheme operator. The role of the SGO should be to ensure compliance by its members with its policies and standards.

#### 4.2.3 Basic Payments Infrastructure

The scope and composition of the Basic Payments Infrastructure outlined in the paper is high level, raising questions about its role in the making and processing of payments, its corporate structure and governance.

The discussion paper provides a glimpse into the construct and operation of the proposed Basic Payments Infrastructure. Given the CPA's current role as a cost-effective provider of the national clearing and settlement system, which is robust and resilient, and our heightened interest in this component of the ecosystem, we raise a few points for consideration.

The term “Basic Payments Infrastructure” suggests two key components:

- i. **basic**—meaning minimal level of service; and
- ii. **infrastructure**—meaning a single infrastructure. In regards to providing a “basic” level of service, it appears that this service would far exceed some basic or minimal level of service.

For this reason, it may be more appropriate to refer to this as “essential” or “common” payments infrastructure rather than “basic,” in order to convey the range of functionality and innovation that is possible.

Based on the description in the paper, it is unclear whether the infrastructure would be a single entity or a community of interests (i.e., various scheme operators, players) that depend upon others within the community to provide payment services to Canadians and business. If it were a community of interests, it is unclear how this model differs significantly from that which currently exists within Canada.

The current payments industry is a collection of complex systems offering a range of services across the payments value chain. If there is a view toward recommending altering this structure and the associated business opportunities, then the CPA urges the Task Force to provide clarity on the scope and structure of the new Infrastructure entity. If the entity were to operate as a monopoly, then the Task Force would need to define the markets for the operations and the plans to address the implications for existing players affected by the new structure. If the concentration of ownership and control of payments networks is an issue, as suggested in the discussion paper, then it is critical that the Task Force clarify its position and that the issue be resolved before the governance framework is further advanced.

# 5. The CPA is the Key Infrastructure for Payments Today & in the Future

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The CPA has a proven track record as a federally-regulated entity that has successfully delivered payments services for the mutual benefit of payments participants. It will continue to be the key infrastructure for the payments ecosystem of the future.

The safe, secure and efficient exchange of payments is critical to Canada's financial system. The Canadian Payments Association, which operates pursuant to the Canadian Payments Act, brings together financial institutions, businesses, governments and consumers to establish the rules of the payments highway. Moreover, the CPA operates critical infrastructure that enables the movement of billions of dollars across the country each day. The CPA is the owner and operator of Canada's Large Value Transfer System (LVTS) which is designated as systemically important by the Bank of Canada. Canada is unique compared to most other countries since the large value payment system is operated by a non-central bank entity (i.e. the CPA) and the roles and responsibilities to ensure the safety and soundness of LVTS are shared between the CPA and the Bank of Canada. The CPA's systems maintain excellent service levels and the Association has solid working relationships with the central bank and other oversight bodies. The CPA provides a modern and strong foundation to support the evolving needs of Canada's digital economy and all those who depend on payments.

The efficient and low-cost payments clearing and settlement infrastructure offered by the CPA to its members has served the payments system well. As it looks to the future of the digital economy and the

changing payments landscape, the CPA has been actively engaged in charting a new course for the organization, leveraging our exceptional performance records, to ensure our clearing and settlement systems are modern and robust to service the changing needs of all users.

With the launch and execution of its "[Payments Strategy: Vision 2020](#)," the CPA began an extensive program of change to both the framework underpinning its clearing and settlement systems, and to the systems themselves. The strategic initiatives of the CPA's align well with the challenges which the Task Force has identified in "[The Way We Pay](#)." It is widely recognized that there is a critical need to enhance the exchange of remittance data and to improve the straight-through-processing capabilities for both retail and wholesale payments. These and other payments-related concerns are shared with the Task Force as well as a desire to introduce innovative and effective e-payment solutions.

In respect of its role in clearing and settlement, the CPA launched a multi-phase review of retail payments, clearing and settlement systems in 2010. This review included a comprehensive assessment of centralized clearing and settlement mechanism "CCSM" (e.g., ACH model) as compared to the bilateral arrangements currently utilized in CPA's ACSS system. A detailed examination of the features, functions, limitations and efficiencies in different system architectures and an analysis against user needs was central to this review.

5.  
The CPA is the Key  
Infrastructure for  
Payments Today &  
in the Future  
(cont.)

In the end, the review highlighted a number of advantages of the CCSM model. The CPA is now embarking on the next phase of work: to further investigate the benefits and business case, and then develop and present a business case for the future redevelopment of Canada’s retail clearing and settlement system.

During 2011, the CPA started investing under a multi-year Technology Strategy to modernize its systems. Among other initiatives, the CPA has also advanced its rules framework this year with proposed changes to facilitate emerging payments such as point-of-sale contactless, PIN-less solutions. These rule changes will help to support the clearing and settlement of other mobile payments in the near future.

<sup>6</sup> “CPA 2010 Annual Review” is available at [www.cdnpay.ca](http://www.cdnpay.ca)

As the CPA looks to its future, it is guided by the following principles: willingness to change; enhancing the independence of its governance; being and acting more inclusive of all interested industry participants; and striving for a fairer funding model.

By its actions, its track record, and its guiding principles, the CPA will continue to evolve and be the key infrastructure for the payments ecosystem of the future.

2010 STATISTICS<sup>6</sup>

Value Cleared & Settled in 2010

\$42.8 trillion

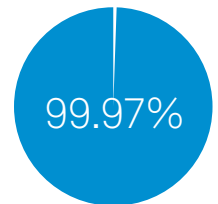
Cleared & Settled through the CPA

Volume Cleared & Settled in 2010

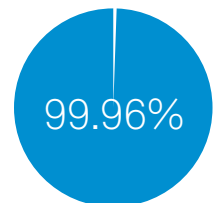
6 billion

Payment Items Cleared by the CPA’s ACSS Retail System In 2010

LVTS Availability Rate



ACSS Availability Rate



\$170 billion

Each Business Day (on average)

24 million

Each Business Day (on average)

# 6.

## Achieving the Transition

**The Task Force has cited “updating the regulatory and governance structure” and “transitioning to a digital economy” as two of the fundamental challenges facing the payments system. It is important to determine how to move forward and recognize these are significant changes to implement.**

A first step is to recognize that these two transitions are fundamentally different in nature and will be achieved on different timetables. The updating of the regulatory and governance structure—that is, the transition to the governance framework—is essentially a policy transition. The “transition to a digital economy” is essentially a technology transition, toward an online payments system and with more electronic alternatives to paper cheques.

One of the first priorities in the transition should be the introduction of legislation to ensure clarity of roles and responsibilities for all of the proposed entities in the governance framework. The move toward new, payments-specific legislation will require careful consideration of the existing legislation to assess the need for amendments or the development of new legislation. The Task Force may also want to assess the legislative course of action from a constitutional angle and do so early in the process. Such an assessment will assist in drafting new legislation that addresses the gaps and builds on existing strengths in the legal framework.

It is the CPA’s view that if the governance framework (including policy and oversight) is consistent with the principles set out by the Task Force, then that framework will facilitate the technology transition. However, it is important to recognize that change will be complex, in terms of technology and human resource requirements, as well as from the consumer and business adoption perspective.

Taking the time and assigning the appropriate level of resourcing to the planning of this significant transition will be essential to ensure a smooth transition from legacy systems and to minimize risk to the overall industry. Aligning with the Task Force’s principle of “Fairness and Accountability,” it will be important to define how best to allocate the costs associated with the transition of the payments system amongst the various participants. Ultimately, costs will be borne broadly, so the need for a well-planned transition is critical. The creation of a detailed roadmap is essential for all industry participants.

# 7. Next Steps Toward Task Force Recommendations

“[The Way We Pay](#)” reflects the Task Force’s thinking and invites comments toward refining the Governance Framework for the future of the payments system in Canada. While the Task Force has invited feedback by means of tools available on its internet site, the CPA believes that certain key areas require a more directed, focused approach to “transforming ideas into actionable recommendations”.

The Working Groups and Advisory Groups have been formed to provide advice to the Task Force in specific key areas, including digital identity and authentication, governance, infrastructure, regulatory, electronic invoicing and payments, consumer access and mobile payments. A substantial amount of work has been undertaken within these groups, but has not been reported in the content of the Task Force’s discussion paper.

It is important that the Task Force ensure the transparency of the Working Groups’ advice in order to socialize the ideas and debate that has ensued in each of their areas of focus. The findings and recommendations of various Working Groups may provide the clarity and details to the key components in the discussion paper.

In this way, the CPA believes that all stakeholders in this review will be in a better position to appreciate and support the final recommendations developed by the Task Force.

# 8. Summary & Conclusion

The Task Force has proposed that the governance framework in “[The Way We Pay](#)” is an initial map that will continue to be refined toward their final recommendations. In principle, the CPA agrees with and generally supports the proposed framework, as outlined in the discussion paper. We fully support the principles of light touch legislation and regulation.

Once the roles and responsibilities are clearly defined for the Payments Oversight Body, the Industry Self-Governing Organization and the Payments Infrastructure, respectively, the opportunity for efficiencies in the new framework will arise. With respect to the Infrastructure entity, the CPA will continue to evolve and be the key infrastructure for the payments ecosystem of Canada’s future digital economy.