



**PAYMENTS
CANADA**

JOURNEY TO MODERNIZATION

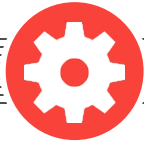
AFP Ottawa

Janet Lalonde, Director of Modernization, Payments Canada



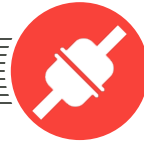
WE ENABLE CANADIAN COMMERCE

The Canadian economy depends on the exchange of billions of dollars each day. Payments Canada is responsible for the clearing and settlement infrastructure, processes and rules essential to those transactions.



Essential Payments Infrastructure

Our systems and sound legal framework let financial institutions and their customers send payments securely and enable the vast majority of day-to-day Canadian commerce.



Connecting a Fluid and Vibrant Economy

We collaborate with stakeholders across the payments ecosystem to create the necessary balance of rules and standards, with efficient infrastructure to achieve optimized, low-friction value flow.



Meeting the Needs of Canadians

We are working to provide a platform that allows those in the payments ecosystem to innovate and provide Canadians with convenient, safe, and efficient payment options.

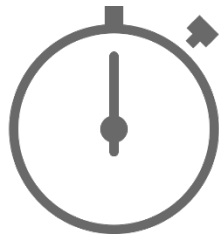


WHY WE BEGAN OUR TRANSFORMATION JOURNEY



The Era of
Omnicommerce

+



We expect more,
faster

+



International
Investment

+



Regulatory
Environment

+



Digital
Disruption

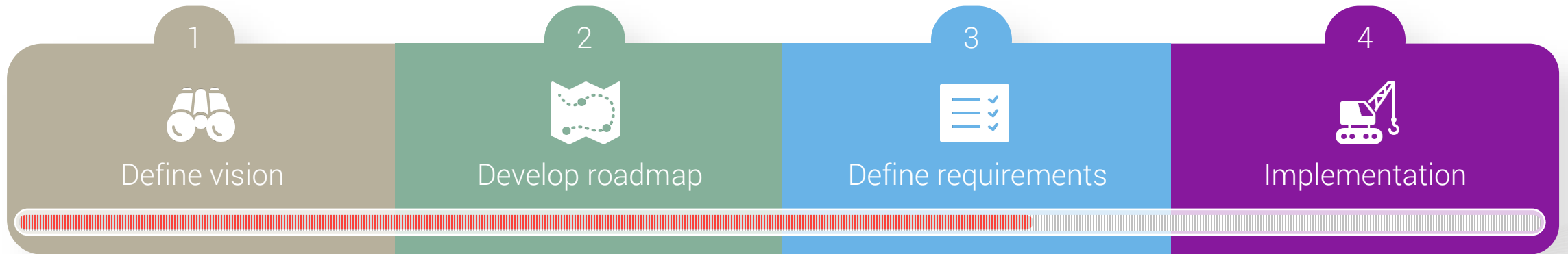
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New Players are
Changing the Game



THE MODERNIZATION JOURNEY

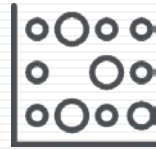




THE VISION IDENTIFIED EIGHT USER NEEDS



Fast payment options



Data-rich payments



Transaction transparency



Easier payments



Activity-based oversight



Open and risk-based access



A platform for innovation



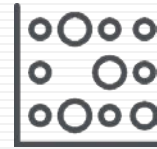
Cross border convenience



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THE ROADMAP: HOW WE WILL BUILD A FRICTIONLESS PAYMENT SYSTEM



MODERNIZE THE RULES
FRAMEWORK



ALIGN WITH GLOBAL
REGULATORY STANDARDS



ENHANCE AUTOMATED
FUNDS TRANSFER



ESTABLISH A REAL-TIME
CAPABILITY



BUILD A NEW CORE CLEARING AND
SETTLEMENT SYSTEM

ISO-2002 ENABLED INFRASTRUCTURE



ISO 20022: STREAMLINING THE PAYMENT EXPERIENCE



Economic benefits
\$4.5 billion/5 years



Makes accounting and
treasury processes more
efficient



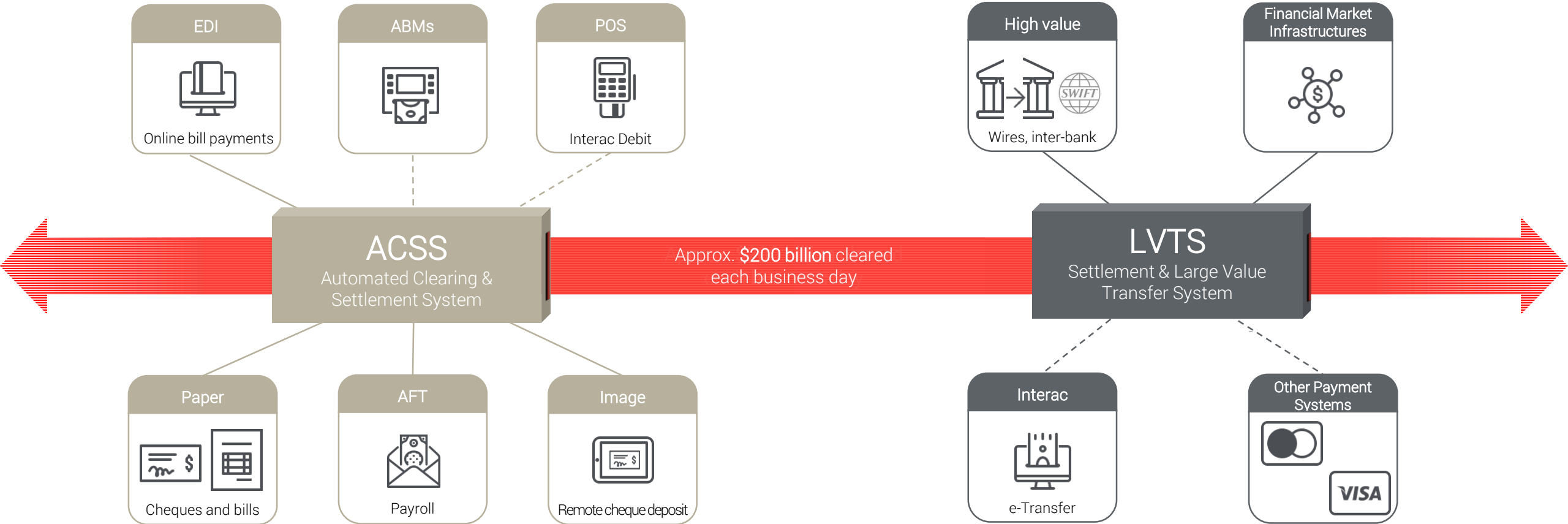
Helps eliminate paper



Beneficial to start
preparing now. We'll work
with you to help make it
happen

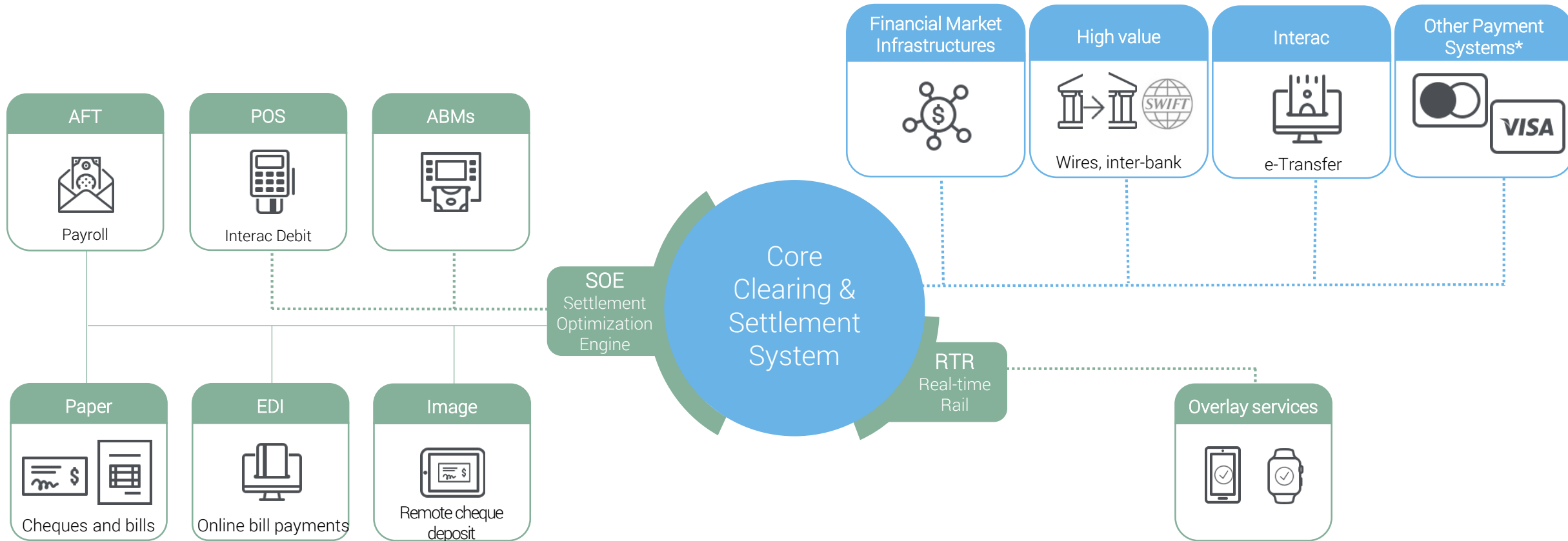


OUR CURRENT STATE










OUR FUTURE STATE



* Core Clearing & Settlement System will have the ability to settle other payment systems in central bank money, as required.



CHANGES WILL BE IMPLEMENTED PROGRESSIVELY OVER THE NEXT 4-5 YEARS

| | | 2016 | 2017 | 2018 | 2019 | 2020+ |
|---|--|--|------------------------|---|-------------------------|----------------------|
|  | Replace LVTS and ACSS application with a new core clearing and settlement system | RFI, Planning & Business Requirements | | Vendor Selection Process | Implementation | |
|  | Enable faster payment capability with a real-time ISO 2022 payment rail (RTR) | RFI: Exploring available solutions Investigation of current market provider | Requirements developed | Feasibility of current market provider | Decision and next steps | Implementation (TBD) |
|  | Enhance the batch AFT with ISO 2022, additional exchange windows and faster funds availability | Add a third exchange, facilitate funds availability in 2 hours | | Add two more exchanges, facilitate funds availability within 1 hour, ISO 2022, greater direct access to initiate AFTs | | |
|  | Implement changes to the ACSS and any modernized systems to meet new regulatory requirements and align with global standards | ACSS Pre-Modernization Prominent requirements (e.g. static pool of collateral) Consider risk models for modernized payments systems | | Additional Prominent requirements | | |
|  | Modernize the Rules framework | Rules will be modernized, facilitating innovation, relying on industry standards, proactive changes/releases | | | | |



BUSINESS BENEFITS



BUILD A NEW CORE CLEARING AND SETTLEMENT SYSTEM

- Improve speed of payments for business
- Best-in-class resiliency & global standards for risk management
- Improved tracking and traceability of wire payments
- Support west-coast activity
- Support the evolution of other payment systems = greater benefits down the road



ESTABLISH REAL-TIME CAPABILITY

- Merchants always receive good funds
- Better cash-flow
- Cost savings
- Can be irrevocable
- Banking information not required
- Send money in seconds
- Better customer experience



ENHANCE AUTOMATED FUNDS TRANSFER

- Western Canada can handle payments later
- Ability to make last minute or time-sensitive payments
- Data richness through ISO 20022
- Potential for online bill presentment and settlement of invoices for goods and services (intra-day with finality)



THE PAYMENTS CANADA
SUMMIT

May 24-26, 2017

Toronto, ON

payments.ca/summit

Themes and Topics

The Summit will cover a wide range of payments-related topics, which will include:



INNOVATION

Think modernization, faster payments, biometrics, AI, bitcoin: Where are we now, and where will we be in the future?



COLLABORATION

Think Canadian content, payments leaders, global trends: What does a payments expert think about, and what can you share with us?



PROTECTION

Think risk and compliance, cyber-security, software, cheque imaging, ISO 20022: What do we need to do to protect our businesses, our consumers, and ourselves?

Questions?