



**BANK OF ENGLAND**

## **A Look at Canada's Payments Modernization Journey**

**We asked Tracey Black - Payments Canada's Executive Director of Modernisation - to share some details about the modernisation of payments in Canada and the role of ISO 20022 messaging standard.**

### **How did payments modernization in Canada get its start?**

The first phase of Canada's Payments Modernization journey was the development of Payments Canada's Vision, an industry-wide consultation exercise that identified the needs of the industry, and the features required of a modern payments ecosystem. The end state we are aiming for is a faster, more flexible and secure payments infrastructure that supports innovation at the end user level and puts Canada on the forefront in payments.

### **What is the scope of Canada's modernization efforts and what stage are you at with delivery?**

Canada's Payments Modernization initiative is a multi-year, industry-wide program that involves the introduction of a new real-time payments rail, replacing the high-value payments system and modifying the underlying settlement model, as well as enhancements to Canada's retail batch payments system. Fundamental to all systems are modern rules and standards, including the introduction of the ISO 20022 global payment messaging standard.

In 2018, Payments Canada and its members delivered several enhancements to the retail batch payments system, including the introduction of an enhanced collateralization model to improve overall system safety and soundness; the launch of a third daily exchange that allows Canadian businesses, and especially those in Western Canada, to exchange payments more frequently; and two-hour funds availability for Automated Funds Transfer (AFT) payments.

Working closely with our members and other industry stakeholders, we have made significant progress on the planning and design efforts for Canada's new real-time and high-value payments systems, with build planned to begin this year.

### **What roles does ISO 20022 play in Canada's modernization efforts?**

The ISO 20022 messaging standard has the potential to improve payment process automation and deliver meaningful efficiencies for Canadian businesses. Research has indicated that Canadian businesses spend more than \$3 billion annually to initiate, process, and receive payments. Adoption of ISO 20022 is anticipated to reduce these costs substantially. For example, providing the potential of replacing cheques

with ISO-enabled payments is expected to deliver annual savings for Canadian businesses of \$1 billion. The ISO 20022 message standard will underpin all of Canada's payment systems.

**Any final thoughts on Canada's modernization efforts?**

Canada has an ambitious Payments Modernization program. We delivered our first enhancements in 2018 and have seen immediate benefit to the industry. We continue to observe and learn from other jurisdictions that are ahead of Canada on this modernization journey. Payments Canada will continue to work in collaboration with our members and stakeholders in 2019 and beyond to deliver value for Canadians.