



Fintechs Canada

Payment Canada

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RE: Policy Proposals Related to Membership Expansion.

On behalf of Fintechs Canada, I would like to thank you for the opportunity to comment on Payments Canada's [policy proposals related to membership expansion](#), published on February 4, 2025.

We believe that entity-based restrictions, such as those outlined in section 32 of the [Canadian Payments Association By-law No. 3](#), which prohibit money market mutual funds, qualified trust trustees, and life insurance companies from becoming direct or group clearers on the Automated Clearing Settlement System (ACSS), are unnecessary:

- The Bank of Canada's settlement account policies, which must be followed to participate in Payments Canada systems, already constitute risk-based criteria that allow for only the most financially and operationally robust entities to participate in the ACSS. Entity-based restrictions in the by-laws fail to manage any risks that are not already managed.
- The ongoing influence of the country's largest banks over Payments Canada's governance raises concerns about the association's ability to implement fair access criteria in its by-laws. The presence of entity-based restrictions further calls into question Payments Canada's dedication to open, fair, and risk-based access to Canada's national payment systems.

The Bank of Canada's settlement accounts provide sufficient safeguards

To participate in Payments Canada's systems, members must maintain a settlement account with the Bank of Canada (BoC). [These accounts are subject to risk-based requirements, which are monitored by the BoC, and including:](#)

- **Prudential Oversight:** Participants must comply and be subject to comprehensive and risk-based Canadian prudential regulation.
- **Financial Stability Requirements:** Institutions must maintain an investment-grade credit rating and demonstrate the ability to meet their financial obligations under stress conditions.
- **Collateral Protection:** Participants are required to pledge sufficient collateral to secure their payment obligations, minimizing counterparty risk and reducing the likelihood of systemic disruptions.
- **Cybersecurity & Operational Controls:** Institutions must implement robust cybersecurity measures and operational safeguards to protect against fraud, cyber threats, and technical failures that could compromise the integrity of the payment system.
- **Ongoing Compliance Monitoring:** Participants are subject to continuous oversight, including regular audits and reviews, to ensure they consistently meet high regulatory and risk management standards.

Alongside these requirements, the BoC retains the discretion to approve settlement account applications and is responsible for regularly verifying that account holders continue to meet the settlement account requirements.

Given the existing risk-based safeguards for accessing Payments Canada's systems, additional entity-based restrictions serve no practical purpose. These safeguards, which include collateral requirements and financial commitments, ensure that participants can meet their settlement obligations and that only prudentially regulated and financially stable institutions qualify for these accounts. Organizations that pose a real risk to Canada's payment system would not be eligible under these criteria.

Concerns about Payments Canada's governance and neutrality

For many years, Payments Canada has faced ongoing [criticism that its governance and policies reflect the interests of the country's largest financial institutions](#). In the early 2000s, the federal government convened a task force to review Canada's payment systems and found that they were "[controlled by Canada's major banks and other key institutions,](#)" [whose "interests are best served by keeping at bay new entrants to the system, the very entrants who would bring the innovations that Canadians need."](#)

Despite attempts to enhance its governance structure, Payments Canada still appears to be influenced by the country's major financial institutions. For example, the launch of the real-time rail continues to face ongoing delays, reinforcing concerns about whether Payments Canada's governance structure prioritizes fair and equal access to the country's national payment systems.

Given the ongoing control that major banks have over Payments Canada, the association should remove any entity-based restrictions in its by-laws. These restrictions raise concerns about the banks' influence and the level of competition in the financial sector, as past actions by these banks have shown a tendency to prioritize their interests over those of potential new entrants.

Fintechs Canada thanks you for considering our perspective on Payments Canada's policy proposals related to membership expansion. We look forward to working with you and will continue to support the association's membership expansion efforts in the future.

Sincerely,

Alex Vronces

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