PAYMENTS CANADA

2023 Annual Report

DELIVERING SMARTER, SAFER AND EASIER PAYMENTS.

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About this report

Welcome to Payments Canada's annual report, our public accountability publication that presents our financial and non-financial performance over the past year. This report provides a view into who we are, how we work, our unique role in Canada's economy and reflects upon our strategy, culture and business.

Payments Canada is a public purpose organization that owns and operates Canada's payment clearing and settlement infrastructure, including associated systems, and creates the supporting by-laws, rules and standards governing the use of this infrastructure. In fulfilling our mandate, Payments Canada has the public policy objective to promote the efficiency, safety and soundness of our clearing and settlement systems and take user interests into account.

We hope you learn more about our organization and our successes and challenges in 2023. Explore **payments.ca** to understand our ongoing work, and follow us on **LinkedIn**, **X (formerly known as Twitter)** and **Facebook**. We also invite you to **subscribe** to our newsletter and event publications to keep up to date with Payments Canada throughout the year.

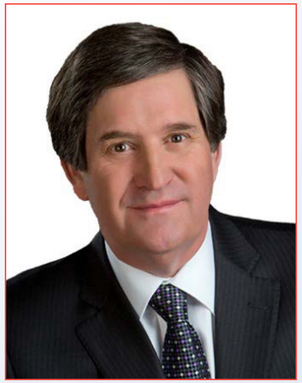
LAND ACKNOWLEDGEMENT

Payments Canada wishes to acknowledge the Indigenous Peoples of all the lands that we are on today. We affirm our commitment and responsibility to improving relationships between nations, as well as our understanding of local Indigenous peoples, their cultures and the importance of the land and nature where we all reside.

Our Ottawa office is located on the traditional and unceded territory of the Algonquin nation. Our Toronto office is located on the traditional territory of the Mississaugas of the Credit First Nation, the Haudenosaunee, the Huron-Wendat and home to many diverse Indigenous peoples.

Message from Payments Canada's Board of Directors Chair

With a new vision for the Canadian payment ecosystem, Payments Canada advanced toward fair, resilient and inclusive payments. In 2023, we saw the progress our industry can achieve when we operate as one team, working towards common goals.



Garry Foster
Payments Canada Chairperson
Board of Directors

The launch of **Lynx Release Two** and the implementation of an **additional Lynx data centre** in 2023 exemplify the strides Payments Canada has made toward payments that are safer, more secure and more efficient. Advancing the benefits of ISO 20022 to Canada in lockstep with the global payment community truly demonstrates our technological leadership and ensures Canada can maintain competitiveness with other G20 nations.

Two significant payment legislation milestones were achieved in 2023: the Canadian government's intention to **amend the *Canadian Payments Act* (CP Act)** and the **finalization of *Retail Payment Activities Act* (RPAA) regulations**. I applaud our government and regulators for recognizing the importance of these initiatives as they will strengthen the foundation for modern payments in Canada, including the **Real-Time Rail (RTR)** upon its launch. Thank you especially to the many leaders across our payment ecosystem who mobilized to advocate for changes to the CP Act. This milestone is a testament to what we can achieve when we come together to work toward a common goal.

In 2023, Payments Canada undertook two major reviews of the RTR program to determine a strong path toward the launch of the system. The board recognizes that timelines have shifted since the RTR program was launched and acknowledges the implications of delays to the payment ecosystem. By working together, Payments Canada, its regulators and member financial institutions will deliver a real-time payment system that will benefit all Canadians. The RTR will meet defined public policy objectives; reflect the safety, soundness and efficiency that Payments Canada has delivered since 1984; and will allow Canada to keep pace and compete globally. With a united vision and a commitment to delivering a world-class solution for Canadians, we will succeed.

The representatives on our councils—both the Member Advisory Council and Stakeholder Advisory Council—worked diligently throughout 2023 to support, and provide valuable guidance on, Payments Canada's efforts. Thank you to them as well as those involved in Payments Canada's committees to advance modern payments in Canada.

Many thanks to my fellow members of the board, including a grateful farewell to board director Susan Hawkins for her outstanding contributions throughout her three-year term. I'm pleased to welcome **Grant MacKenzie** to the board and look forward to the insight and expertise he will bring.

I want to thank Tracey Black for her many contributions to the organization through her leadership; not just in 2023, but over her five-year tenure. Over the duration of Tracey's leadership, Payments Canada systems have operated with almost 100 per cent availability with demonstrated resiliency and safety. In 2023, Tracey led the second release of Lynx, introduced the ISO 20022 financial message standard and has played an instrumental role in supporting the expansion of access to Canada's national payment infrastructure. Under Tracey's leadership, Payments Canada has also made significant strides in the design and preparation for the implementation of the RTR system in Canada, readying the RTR initiative for its next phase. As a supporter of a people-first and inclusive culture, she recently oversaw the introduction of a new corporate mission, vision and values as well as the development and implementation of Payments Canada's first diversity, equity and inclusion strategy. Tracey's leadership and commitment to Payments Canada's purpose have been crucial to the progress the organization has made in modernizing the payment ecosystem in Canada. On behalf of the board, I wish her every success as we bid her farewell.

I would like to extend a sincere thank you to the people of Payments Canada. Payments are important not just to our ecosystem, but to the functioning of the Canadian economy, and your work is critical. Thank you for all you do to deliver easier, smarter and safer payments to Canadians. The future of modern payments in Canada is exciting and I'm energized about what is on the horizon.

Message from Payments Canada's President and CEO

Payments matter not only to our organization, but to Canada as a whole. In 2023, our efforts were focused on advancing payment evolution while reinforcing the critical role that payments play in the Canadian economy. In 2023, our systems operated safely, securely and reliably and, thanks to our Payments Canada teams, we exceeded our system availability targets.

Tracey Black
Payments Canada
President and CEO

At the beginning of 2023, we introduced our new Payments Canada vision and mission to inspire and challenge us. We also refreshed our values, which reflect the attitudes and beliefs of our employees and drive our purpose forward. Over the course of the year, we advanced our diversity, inclusion and wellness initiatives, continuing to facilitate opportunities to celebrate and learn together, and progressed on delivering the objectives in our Diversity, Equity and Inclusion (DEI) strategy.

For the first time since 2019, we were able to bring the ecosystem together in person to discuss the future state of payments at **The SUMMIT**, Payments Canada's annual conference. **The 2023 SUMMIT marked our most successful one yet**, with more than 1,800 payment innovators, leaders and experts in attendance. During The SUMMIT, days were filled with thought-provoking discussions focused on the future of payments in Canada and around the globe. We explored themes from the power of payment data to the economics of payments and so much more. I'd like to thank everyone who contributed to making The 2023 Payments Canada SUMMIT a resounding success.

In March 2023, Payments Canada implemented the **second release of Lynx**, introducing the ISO 20022 financial messaging standard that will provide significant benefits to Canadian businesses. This release brought data-rich payment messages to high-value payments in Canada, assisting Canadian financial institutions in meeting Swift's ISO 20022 global implementation timelines. I'm excited for our payment ecosystem to leverage the capabilities of ISO 20022 to enhance end-user experiences, deliver processing efficiencies and support global interoperability. In October 2023, Payments Canada also implemented an **additional Lynx data centre**, RECS (RTGS Extreme Contingency Service), to strengthen the overall resilience of Lynx and support the continuity of our operations. RECS supports the safety and security of our Lynx operations and ensures our participants are well-equipped in the event of a significant disruption.

In collaboration with our members, regulators and key stakeholders, we completed two reviews of the **Real-Time Rail (RTR)** program: a **review on delivery assurance**, completed in Q1, and a **targeted risk review**, completed in Q3. During this time, delivery partner activities continued while we suspended and shifted the focus of certain program activities. We acknowledge the implications of these program delays on Canadian businesses and consumers. Thank you to our regulators, members and stakeholders for their continued support and commitment to collaborate with us through this period and on the delivery of real-time payments for Canada.

Throughout 2023, Payments Canada and the payment ecosystem continued to **advocate for changes to the *Canadian Payments Act* (CP Act)** to broaden Payments Canada membership. Broader membership will support the direct participation of more members in Canada's payment systems. Broader access to our systems will support the introduction of new and enhanced payment options for Canadians and Canadian businesses. We commend the Canadian government's inclusion of **CP Act changes in the *2023 Fall Economic Statement*** as well as the **publication of the *Retail Payment Activities Act* (RPAA) regulations**. Together, changes to the CP Act and the publication of the final RPAA regulations are critical to ensure a modern payment ecosystem that is inclusive, enables fair competition and supports a thriving Canadian economy.

Thank you to our board of directors, our members, stakeholders and regulators, including our Member Advisory Council and Stakeholder Advisory Council, for invaluable support and guidance in 2023. Thank you also to our committee representatives and international partners for your engagement. Industry collaboration drives our collective success.

Last, and as always, my sincerest thanks to the people of Payments Canada. It has been my privilege to work alongside you. Your passion and dedication to what we do truly reflect our commitment to our purpose: making payments easier, smarter and safer for all Canadians.

Report from the Member Advisory Council Chair

Over the past year, members worked closely with Payments Canada to implement Lynx Release Two and evolve discussions on the future state of the retail batch system.

Derek Vernon

Payments Canada Chairperson
Member Advisory Council

With good transparency to the payment industry, Payments Canada undertook a holistic risk review of the RTR program to identify and assess the optimal target state operating model and the work plan required to get there. Although this will result in additional delays, this was an important step that allowed Payments Canada to engage and consult with members, the Stakeholder Advisory Council (SAC) and regulators on the future of the RTR.

In March 2023, Payments Canada and Lynx participants successfully implemented Lynx Release Two, demonstrating how the industry can successfully collaborate and execute on complex and transformational initiatives in line with global standards. Core Cross Border Payment and Reporting (CBPR+) messages are now exchanged using the new MX standard, and work continues to migrate all Lynx messages to the MX standard.

Dialogue on the future of retail batch continued to gain momentum in 2023. Members, SAC and Payments Canada collectively identified areas of opportunity for the Automated Clearing Settlement System (ACSS) related to prominent payment system standards. Looking ahead, members will continue to work closely with Payments Canada on the scope of work and requirements while looking for opportunities to maximize the investments in modernization already undertaken.

The federal government's publication of the *Retail Payments Activities Act* (RPAA) regulations and recent commitment to amend the *Canadian Payments Act* (CP Act) are important steps in the evolution of the payment ecosystem for Canada. The expansion of Payments Canada's membership has the potential to drive continued innovation and increased payment volumes in Canada. Additionally, the RPAA's risk-based approach to eligibility will help maintain the stability, security and resilience of the ecosystem. In 2024, members look forward to participating in consultations by Payments Canada and the government to help further these ecosystem changes.

As payment volumes continue to grow, and as Payments Canada's membership expands, members reiterate the need to increase our collective efforts to reduce fraud and the risk of cyber threats. As evidenced by other jurisdictions that have launched real-time payment systems, the risk of fraud often increases with faster payments. Members are eager to work with Payments Canada on action plans to mitigate such risks, and on a liability framework that clearly defines roles and responsibilities for all market participants.

Members remain committed to the ongoing partnership between SAC and MAC and are pleased with the progress we've made working together in 2023. We appreciate Payments Canada bringing stakeholders together to assess the current bill payment framework and share feedback around policy and capability enhancements. Additionally, we commend Payments Canada for identifying challenges to achieving true financial inclusivity, along with opportunities to overcome them. We look forward to continued partnership and to providing support and advice on these initiatives.

In closing, 2023 has been a challenging year for the economy and we stay committed to working in partnership with Payments Canada, regulators and SAC to continue delivering positive impacts to Canadian businesses and consumers with a keen focus on efficiency, safety and soundness of our payment ecosystem.

Report from the Stakeholder Advisory Council Chair

Over the past year, SAC has remained focused on supporting Payments Canada's efforts to build a modern, innovative and competitive payment ecosystem that provides access and support to all Canadians.

Daniela Aubry

Payments Canada Chairperson
Stakeholder Advisory Council

SAC has continued to work closely with Payments Canada through active participation in various working groups, management committees and sub-groups, focused on key areas such as policy and standards to support a competitive, innovative and more inclusive payment ecosystem.

Priorities for SAC in 2023 centred around an anticipated launch of the Real-Time Rail (RTR) and an ongoing focus on inclusion, recourse, batch and bill payments and centralized services. Sub-groups were formed and work advanced with support from Payments Canada. Two successful joint MAC and SAC sessions were held on recourse and inclusion.

SAC has been active with a renewed focus on inclusion in the payment ecosystem and has developed a set of 10 principles for an inclusive payment system. Developed by SAC's Inclusion Working Group (IWG), these principles have been adapted from the *UN Principles for Responsible Digital Payments*, multilateral research and guidance related to inclusive digital payments. These principles were shared with MAC and Payments Canada and discussed in a productive in-person joint roundtable with MAC and SAC. We are pleased that Payments Canada has advanced policy work focused on inclusion and recourse. We look forward to Payments Canada leading this work in close collaboration and full consultation with SAC inclusion and recourse working groups. SAC will continue to advocate for the importance of inclusion and recourse in all modernization efforts and policy work undertaken by Payments Canada.

SAC is concerned to see, again, a delay in the long-anticipated RTR. Across SAC there is growing concern that we are falling behind on a global scale. SAC looks forward to a high-confidence plan for the RTR that will support operational effectiveness and longevity for the Canadian payment ecosystem. While replanning for the RTR has been underway, SAC has advocated for opportunities to continue discussions to deliver future roadmap items that are key to a successful, competitive and safe system, such as centralized fraud capabilities and standards for recourse. SAC will continue to devote high priority to the path forward for the RTR. To ensure the evolution of the RTR will benefit stakeholders, SAC is keen to see work restarted on the components of the roadmap and future phases of the RTR.

As strongly advocated by SAC members for many years within Payments Canada and at other industry forums, a significant milestone was reached with the inclusion of *Canadian Payments Act* (CP Act) changes in the *2023 Fall Economic Statement* (FES). This will bring expanded membership and eligibility to Payments Canada's payment systems. This long-awaited change will not only benefit many payment service providers, credit unions and other providers but is fully expected, as intended by policymakers, to foster competition and innovation within the Canadian payment ecosystem.

This past year also saw increased collaboration of MAC, SAC and Payments Canada on the key topics of the future of retail batch payments and planning a path forward for the RTR. This sets us up well to continue to focus our collective efforts on the execution of the RTR while seeking opportunities to continue planning for future enhancements.

In closing, I want to thank our dedicated SAC members for their meaningful contributions over the past year. I would also like to thank Payments Canada and its members for the collaborative approach to which we have shifted. SAC will continue to provide meaningful support and counsel as we look to the year ahead.

#OURSTORIESIN2023

2023 Fall Economic Statement reflects payment industry priorities

PUBLISHED: NOVEMBER 21, 2023

Changes to the *Canadian Payments Act* will benefit Canadians."

Payments Canada applauds the inclusion of changes to the *Canadian Payments Act* (CP Act) in the *2023 Fall Economic Statement* (FES), Building a strong economy that works for everyone.

Canada's payment industry has been actively calling for changes to CP Act to expand Payments Canada's membership eligibility and access to our systems to include payment service providers, credit union locals and operators of financial market infrastructures that meet regulatory and legislative requirements. By supporting these critical legislative changes, the Government of Canada will foster greater choices and innovation, laying the foundation for important benefits and opportunities for people across the country.

Read more

2023 top achievements

In 2023, Payments Canada's systems cleared and settled over $112 trillion — more than $450 billion every business day.

DELIVERED Lynx Release Two and an additional Lynx data centre to enable data-rich, high-value payments that are more secure than ever. The introduction of our new mission and vision statement this year reflects our ongoing commitment to being an actively engaged, reliable operator of our payment systems and a facilitator within our ecosystem. We completed two reviews of the RTR program that will allow us to plan our path forward with certainty and confidence.

OPERATED AND ENHANCED the Automated Clearing Settlement System (ACSS) and Lynx through rule amendments to support efficient system use and operation. We finalized our sustainability strategy and developed 30 metrics in the areas of environmental, social and governance sustainability. We introduced two new executive functions: Chief Payments Officer and Chief Delivery Officer.

FACILITATED the evolution of modern payments in Canada through extensive legislative advocacy. We brought the ecosystem together to connect and collaborate at the first hybrid version of The SUMMIT. We continued to provide the ecosystem with relevant information about industry advancements through research and policy papers on topics like emerging payment methods and digital currencies.

SYSTEMS AVAILABILITY RATE

ACSS availability rate:

99.96%

Lynx availability rate:

99.97%

CSN availability rate:

100%

#OURSTORIESIN2023

Payments Canada introduces data-rich messages to high-value payments in Canada with Lynx Release Two

ISO 20022 will support the introduction of new financial products and services for consumers and businesses across Canada."

Today, Payments Canada announced the launch of the second release of Lynx, Canada's high-value payment system. This follows the successful launch of Lynx in August 2021, replacing the Large Value Transfer System (LVTS) that served as Canada's high-value payment system for over 20 years.

The second release of Lynx introduces the ISO 20022 financial messaging standard which allows richer data to travel with each payment. As more financial institutions begin to send and receive ISO-enabled payments, Lynx participants will be able to leverage richer payments data to offer new products and services to their customers.

Read more

PUBLISHED: MARCH 21, 2023

Who we are

Payments Canada is a public purpose organization that owns and operates Canada's payment clearing and settlement systems, Lynx and the ACSS. Payments Canada is responsible for the infrastructure and the associated by-laws, rules and standards that support these systems.

OVERSIGHT

Payments Canada owns and operates systemically important and prominent payment financial market infrastructures (FMIs) and is regulated by the Bank of Canada and the Department of Finance. To learn more about the Bank's oversight of FMIs, please read the Bank of Canada's **Oversight Activities for Financial Market Infrastructures** report.

OUR MANDATE

Payments Canada's legislated mandate, as set out in the ***Canadian Payments Act***, includes the following objectives:

A. Establish and operate national systems for the clearing and settlement of payments and other arrangements for the making or exchange of payments.

B. Facilitate the interaction of its clearing and settlement systems and related arrangements with other systems or arrangements involved in the exchange, clearing or settlement of payments.

C. Facilitate the development of new payment methods and technologies.

In fulfilling its mandate, Payments Canada is guided by the public policy objectives of promoting the efficiency, safety and soundness of its clearing and settlement systems and taking into account the interests of users.

You can learn more about our mandate by visiting **payments.ca**.

OUR PURPOSE

We make payments easier, smarter and safer for all Canadians.

OUR VISION

A Canadian payment ecosystem that is resilient, inclusive and enables fair competition as the foundation of our thriving economy.

OUR MISSION

We dedicate ourselves to the delivery, operations and governance of payment systems that are innovative, secure and globally connected.

OUR VALUES

Inspire trust: We are driven by our public purpose mandate. We act together with integrity, are deliberate in our decisions and take accountability for our actions. We inspire trust by enabling members to transact payments safely and soundly for our stakeholders and all Canadians.

Build community: We believe our differences make us stronger. We cultivate a supportive and respectful environment that encourages open dialogue and diverse perspectives. We love what we do and find joy in working together.

Enable change: We are committed to innovation within the changing payment ecosystem. We learn with intention to generate new ideas and creative solutions. We enable change in our pursuit of excellence.

OUR STRATEGY

In 2023, we introduced a new vision for the Canadian payment ecosystem: A Canadian payment ecosystem that is resilient, inclusive and enables fair competition as the foundation of our thriving economy. To fulfil our vision and deliver on our mandate, Payments Canada follows and implements a five-year corporate plan.

Our 2023 strategy remained focused on three activities:

DELIVER projects that modernize the Canadian payment systems.

OPERATE and ENHANCE current systems.

FACILITATE the payment ecosystem.

We work together with our member financial institutions and stakeholders, the Department of Finance, the Bank of Canada and international counterparts through formalized processes and regular and ad hoc interactions.

Governance

PAYMENTS CANADA'S BOARD OF DIRECTORS

Under the leadership of the Chair, Garry Foster, the 13-director board[1] is charged with directing and managing the affairs of the organization with a focus on strategic and policy matters. The board receives advice and counsel from Payments Canada's Stakeholder Advisory Council (SAC) and Member Advisory Council (MAC).

In June 2023, the board recognized the contributions of Susan Hawkins and said goodbye to her. We also welcomed one new member director, Grant MacKenzie.

Board of directors:
Garry Foster (Chair), Stéphane Achard, David Barnard (Deputy Chair), Tracey Black (President and CEO), Sean Goldrick, Saigin Govender, Jennifer Hawkins, Grant MacKenzie, Rob Paterson, Fariba Rawhani, AnneMarie Ryan, John Sheridan and Anju Virmani.

[1] The nominating committee, which is charged with the responsibility of confirming the independence of the independent directors, has confirmed the independence of those directors.

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2024

AnneMarie Ryan — Independent Director

Fariba Rawhani — Independent Director

Saigin Govender — Independent Director

Stéphane Achard — National Bank of Canada

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2025

Anju Virmani — Independent Director

David Barnard — Independent Director

Jennifer Hawkins — Bank of Montreal

Sean Goldrick — Wells Fargo Bank, NA

ELECTED UNTIL ANNUAL MEETING OF MEMBERS 2026

Garry Foster — Independent Director

Grant MacKenzie — Peoples Trust

John Sheridan — Independent Director

Rob Paterson — CS Alterna Bank

BOARD COMMITTEES

There are **four board committees** that meet to assist the board of directors in fulfilling their responsibilities:

- Audit and Finance Committee (AFC)
- Governance and Nominating Committee (GNC)
- Human Resources and Compensation Committee (HRCC)
- Risk Committee

In September 2022, we established a temporary RTR Program Advisory Committee (RPAC) to provide advice and guidance on the RTR program until the system goes live.

BOARD AND COMMITTEE ATTENDANCE

JANUARY TO JUNE (UP TO AND INCLUDING THE ANNUAL MEETING OF MEMBERS) 2023							
MEMBER	MEMBER SINCE	BOARD	AFC	GNC	HRCC	RISK COMMITTEE	RPAC
Number of meetings		5	2	2	2	2	5
Director attendance							
G. Foster — Chair	June 2017	5	2	2	2	2	5
S. Achard	June 2021	5	n/a	n/a	1	n/a	n/a
D. Barnard — Deputy Chair	May 2016	5	n/a	2	2	n/a	2*
T. Black	March 2020	5	n/a	n/a	n/a	n/a	n/a
S. Goldrick	June 2022	5	2	n/a	2	n/a	5
S. Govender	June 2021	5	n/a	2	2	n/a	n/a
J. Hawkins	June 2022	5	n/a	2	n/a	n/a	n/a
S. Hawkins	June 2020	4	2	n/a	n/a	2	n/a
R. Paterson	June 2020	5	n/a	2	n/a	2	3
F. Rawhani	June 2021	4	2	n/a	2	n/a	5
AM. Ryan	June 2021	5	n/a	2	n/a	2	n/a
J. Sheridan	June 2020	5	2	n/a	n/a	2	5
A. Virmani	October 2022	5	0	n/a	n/a	2	3*

Note: since board committees meet at least one day before the board meetings, the attendance above is for board and board committee meetings up to, and including, the annual meeting in June.

* David Barnard was replaced by Anju Virmani on the RPAC in March 2023.

JUNE (AFTER ANNUAL MEETING OF MEMBERS) TO DECEMBER 2023							
MEMBER	MEMBER SINCE	BOARD	AFC	GNC	HRCC	RISK COMMITTEE	RPAC
Number of meetings		9	2	2	3	2	4
Director attendance							
G. Foster — Chair	June 2017	9	2	2	3	2	4
S. Achard	June 2021	8	n/a	n/a	2	n/a	n/a
D. Barnard — Deputy Chair	May 2016	9	n/a	2	3	n/a	n/a
T. Black	Mar 2020	9	n/a	n/a	n/a	n/a	n/a
S. Goldrick	June 2022	8	2	n/a	3	n/a	4
S. Govender	June 2021	9	n/a	2	3	n/a	n/a
J. Hawkins	June 2022	9	n/a	2	n/a	2	n/a
G. MacKenzie	June 2023	7	2	n/a	n/a	n/a	n/a
R. Paterson	June 2020	8	n/a	2	n/a	2	3
F. Rawhani	June 2021	8	2	n/a	3	n/a	3
AM. Ryan	June 2021	9	n/a	2	n/a	2	n/a
J. Sheridan	June 2020	8	2	n/a	n/a	1	4
A. Virmani	December 2022	9	2	n/a	n/a	2	4

Note: since board committees meet at least one day before the board meetings, the attendance above is for board and board committee meetings after the annual meeting in June.

EXECUTIVE LEADERSHIP TEAM

Our Executive Leadership Team provides strategic direction, leadership and oversight to Payments Canada.

Tracey Black
President and Chief Executive Officer

Peter Dodic
Chief Risk Officer

Donna Kinoshita
Chief Payments Officer

Kristina Logue
Chief Financial Officer

Jude Pinto
Chief Delivery Officer

Shawn Van Raay
Chief Information Officer

Learn more about our executive team by visiting **payments.ca**.

MEMBER ADVISORY COUNCIL

Our 20-person **Member Advisory Council** (MAC) is mandated in the *Canadian Payments Act* as a consultative and engagement forum for our members who are system participants. The Council is broadly representative of the diversity of the membership of Payments Canada. MAC provides advice to the board of directors on clearing and settlement systems; the way these systems interact with other systems in the exchange, clearing or settlement of payments; and in the development of new payment technologies.

APPOINTED UNTIL JULY 2024

ATB Financial — Ryan Rabin

Bank of Canada — Ian Christensen

Community Trust Company — Tanya Woods

La Fédération des caisses Desjardins du Québec — Martin Tardif

HSBC Bank of Canada — Bryan Yeung

National Bank of Canada — Patrice Roy

Royal Bank of Canada — Gabriel Woo

APPOINTED UNTIL JULY 2025

The Bank of Nova Scotia — Dougal Middleton

Citibank — John Landry

Laurentian Bank of Canada — Adam Swinemar

The Toronto Dominion Bank — Christine Hunter

Wells Fargo Bank — Sarah Gainey

Wealthsimple Investments Inc. — Hanna Zaidi

APPOINTED UNTIL JULY 2026

Bank of America — Leslie Konecny

Bank of Montreal — Derek Vernon

Canadian Imperial Bank of Commerce — Michael Liberty

Central 1 — Sue Whitney

JPMorgan Chase — Jude Leclerc

Peoples Trust Company — Jeremy Bornstein

PNC Bank — Steve Faust

#OURSTORIESIN2023

Legislative changes needed for stronger consumer protection and financial stability

In order for consumers and businesses to take full advantage of modern payments safely, legislative change is necessary."

Payments Canada has submitted a written response to the House of Commons Standing Committee on Finance (FINA) as part of its 2024 pre-budget consultation. The response focuses on amending the *Canadian Payments Act* (CP Act) as part of the Government of Canada's *2024 Fall Economic Statement* to expand Payments Canada's membership eligibility to credit unions, payment service providers and financial market infrastructures.

Read more

PUBLISHED: AUGUST 8, 2023

2023 MAC MEETING ATTENDANCE

Council members are appointed through a process involving a nominating committee and are approved by the board. While named representatives are expected to attend all council meetings, if a named representative is unable to attend a meeting, alternates may be permitted on an exception basis, but for not more than one-third of council meetings.

* Indicates the member representative as of December 31, 2023, if multiple members represented the FI in 2023.

MEMBER	MEETINGS ATTENDED BY MEMBER ORGANIZATION	NAMED REPRESENTATIVE	MEETINGS ATTENDED BY REPRESENTATIVE (OR DELEGATE)
ATB Financial	5/5	Ryan Rabin	5/5
Bank of America	5/5	Leslie Konecny	5/5
Bank of Canada	5/5	Ian Christensen	5/5
Bank of Montreal	5/5	Derek Vernon	5/5
Canadian Imperial Bank of Commerce	5/5	Christopher Sweetland	3/3
		Michael Liberty*	2/2
Central 1	5/5	Sue Whitney	5/5
Citibank	5/5	John Landry	5/5
Community Trust Company	4/5	Christine Day	4/5
		Tanya Woods*	0/1
HSBC Bank of Canada	4/5	Jude Leclerc	2/3
		Bryan Yeung*	2/2
JPMorgan Chase	5/5	Matthew Parker-Jones	1/1
		Marilu Gaudio	3/3
		Jude Leclerc*	1/1
La Fédération des caisses Desjardins du Québec	5/5	Martin Tardif	5/5
		Isabelle Dreyer*	0/0
Laurentian Bank of Canada	4/5	Adam Swinemar	4/5
National Bank of Canada	5/5	Patrice Roy	5/5
Peoples Trust Company	5/5	Cyrielle Chiron	4/4
		Jeremy Bornstein*	1/1
PNC Bank	4/5	Eric Bauer	2/3
		Steve Faust*	2/2
Royal Bank of Canada	5/5	Lisa Lansdowne-Higgins	3/3
		Gabriel Woo*	2/2
The Bank of Nova Scotia	5/5	Dougal Middleton	5/5
The Toronto Dominion Bank	5/5	Christine Hunter	5/5
Wealthsimple Investments Inc.	5/5	Hanna Zaidi	5/5
Wells Fargo Bank	5/5	Sarah Gainey	5/5

STAKEHOLDER ADVISORY COUNCIL

The **Stakeholder Advisory Council** (SAC) provides advice to Payments Canada's board of directors on payment, clearing and settlement matters. SAC members contribute input on proposed initiatives including by-laws, policy statements and rules that affect third parties. SAC also identifies issues that might concern payment system users and service providers and suggests how issues could be addressed.

APPOINTED UNTIL MARCH 31, 2024

Canadian Life and Health Insurance Association — Sarah Hobbs

Dye & Durham — Paolo Pannunzio

Fiserv — William Lee

Prosper Canada — Liz Mulholland

Receiver General for Canada — Lucie Séguin

Square — Grace Jung

WestJet — Nykol Kroeker

APPOINTED UNTIL MARCH 31, 2025

Consumers Council of Canada — Don Mercer

Fintech Cadence — Layial El-Hadi

KOHO — Vacant

Metrolinx — Daniela Aubry

Wise — Josh Rowat

APPOINTED UNTIL MARCH 31, 2026

Global Payments — Katie Stone

Government of Alberta — Ryan McLeod

Microsoft — Tracy Lagasse

Nanopay — Zeldi Snyman

Telus — Tom Carter

Temenos — Kevin Maloney

Tim Hortons — Nicolas Dinh

Payments Canada's Board of Directors Representative
AnneMarie Ryan

Department of Finance Canada Observer
Nick Marion

2023 SAC MEETING ATTENDANCE

Council members are appointed through a process involving a nominating committee and are approved by the board in consultation with the Minister of Finance. While named representatives are expected to attend all council meetings, if a named representative is unable to attend a meeting, alternates may be permitted on an exception basis, but for not more than one-third of council meetings.

MEMBER	MEETINGS ATTENDED BY MEMBER ORGANIZATION	NAMED REPRESENTATIVE	MEETINGS ATTENDED BY INDIVIDUAL (OR DELEGATE)
AscendantFX**	1/1	Dan Caputo	1/1
Canadian Life and Health Insurance Association	4/5	Brent Mizzen	4/5
		Sarah Hobbs*	0/0
Canadian Federation of Independent Business**	0/1	Jasmin Guénette	0/1
Consumers Council of Canada	5/5	Don Mercer	5/5
Dye & Durham	5/5	Mark DiFilippo	4/4
		Paolo Pannunzio*	1/1
Fintech Cadence	5/5	Layial El-Hadi	5/5
Fiserv	4/5	David Chance	3/3
		William Lee*	1/2
Global Payments***	3/4	Katie Stone	3/4
Government of Alberta***	4/4	Ryan McLeod	4/4
KOHO	5/5	Damier Xandrine*	5/5
Metrolinx	4/5	Daniela Aubry	4/5
Microsoft	5/5	Tracy Lagasse	5/5
Nanopay Corporation***	3/4	Zeldi Snyman	1/4
		Ivy Luu*	2/3
Payments Canada board of directors	5/5	AnneMarie Ryan	5/5
PayPal**	1/1	Sarvesh Kulkarni	1/1
Prosper Canada	5/5	Liz Mulholland	5/5
Province of BC**	1/1	Jean Hope	1/1
Receiver General for Canada PSPC	5/5	Lucie Séguin	5/5
Square	5/5	Grace Jung	5/5
Telus Communications***	3/4	Tom Carter	3/4
Temenos	4/4	Kevin Maloney	4/4
Tim Hortons***	4/4	Nicolas Dinh	4/4
WestJet	3/5	Nykol Kroeker	3/5
Wise	5/5	Josh Rowat	5/5

* Indicates the member representative as of December 31, 2023, if multiple members represented the FI in 2023.

** Indicates the organization is no longer on the council.

*** Indicates the organization joined the council partway through 2023.

#OURSTORIESIN2023

Payments Canada strengthens the resilience of Lynx, Canada's high-value payment system with additional data centre

PUBLISHED: OCTOBER 16, 2023

The safety and soundness of Canada's payment systems is our top priority."

Today, Payments Canada announced the successful implementation of an additional data centre to further strengthen the overall resilience of **Lynx**, Canada's high-value payment system.

Lynx is an electronic wire system used by participating financial institutions to safely send wire payments on behalf of their customers in Canadian dollars. Designated by the Bank of Canada as a systemically important payment system under the *Payment Clearing and Settlement Act*, Lynx is critical to Canada's economy. In 2022, the system cleared and settled a daily average of 50,000 transactions worth over $440 billion every business day.

Read more

Clearing and settlement system statistics

In 2023, Payments Canada's systems cleared and settled over $112 trillion—more than $450 billion every business day. Transactions that pass through our systems include debit card payments, pre-authorized debits, direct deposits, bill payments, wire payments and cheques initiated and received by Canadians and Canadian businesses.

AUTOMATED CLEARING SETTLEMENT SYSTEM

The **ACSS**, referred to as the retail batch system, is the system that clears the vast majority of Payments Canada payment items—both paper-based and electronic.

ACSS 2023 STATISTICS

Total volume:

9.8 billion items

Daily average volume:

39.3 million items

Total value:

$9.3 trillion

Daily average value:

$37.3 billion

To learn more about ACSS volumes and values, please visit the **retail batch payment system section** on **payments.ca**.

* These statistics represent the combined totals of both the Automated Clearing Settlement System (ACSS) and United States Bulk Exchange application (USBE), which make up the retail batch payment system.

LYNX, CANADA'S HIGH-VALUE PAYMENT SYSTEM

Lynx is the electronic wire system that facilitates the irrevocable transfer of wire payments in Canadian dollars between Canadian financial institutions across the country. It was introduced on August 30, 2021 as the replacement system for the Large Value Transfer System (LVTS).

LYNX 2023 STATISTICS

Total volume:

13.1 million items

Daily average volume:

52,493 items

Total value:

$103.3 trillion

Daily average value:

$413.4 billion

SYSTEMS AVAILABILITY RATE

ACSS availability rate: (target: 99.8%)

99.96%

Lynx availability rate: (target: 99.8%)

99.97%

CSN availability rate: (target: 99.9%)

100%

To learn more about large value volumes and values, please visit the **high-value payment system section** on **payments.ca**

#OURSTORIESIN2023

Coalition of leading industry stakeholders voice continued support for vital *Canadian Payments Act* amendments

PUBLISHED: OCTOBER 11, 2023

"The Fall Economic Statement presents an opportunity to modernize the *Canadian Payments Act* to strengthen financial competition, innovation, consumer protection and economic stability."

Leaders across Canada's payment industry continue to demonstrate unified support for amendments to the *Canadian Payments Act* to expand Payments Canada's membership. This support was previously expressed through various pre-budget consultation submissions, a joint letter to the Minister of Finance and a 2018 Department of Finance consultation.

Read more

2023 in review

DELIVER

INTRODUCED RESILIENT, DATA-RICH, HIGH-VALUE PAYMENTS

With the launch of **Lynx Release Two** in March 2023, **ISO 20022** was introduced to bring data-rich messages to high-value payments in Canada. This major collaborative effort between Payments Canada and the broader payment ecosystem allows financial institutions to leverage richer payment data to offer new products and services to their customers. ISO 20022 is being adopted by jurisdictions worldwide and Payments Canada is proud to introduce this standard and its immeasurable benefits to Canada.

In October, Payments Canada strengthened the overall resilience of Lynx with the implementation of an **extreme contingency data centre**, RECS (RTGS Extreme Contingency Service). This work was completed in partnership with Lynx participants, the Bank of Canada and our technology partners IBM and Nexi. RECS provides a supplementary layer of resilience to support the continuity of our operations in a safe and secure manner.

PROGRESSED ON THE REAL-TIME RAIL

In the first quarter of 2023, a **third-party review of the RTR program** was completed and was followed by a **targeted risk review**, completed in the third quarter. We worked in collaboration with our board of directors, regulators, member financial institutions and stakeholders while vendor delivery activities continued. Payments Canada, our members and regulators remain fully committed to delivering a safe, secure and efficient real-time payment system for Canada.

OPERATE AND ENHANCE

ESTABLISHED MODERN RULES FOR MODERN PAYMENTS

Regular updates to the rules that govern our systems help ensure a clear and efficient participant experience. **Amendments to a number of rules were approved in 2023** to support the evolving payment landscape.

Amendments to ACSS rules clarified the definition of 'indirect clearer' (ACSS Rule E3 and Introduction to the ACSS Rules), updated cross-border arrangement notification requirements (ACSS Rule C1 and Lynx Rule 15) and helped accommodate Image Captured Payment (ICP) exchange of government paper instruments (ACSS Rule E3 and Introduction to the ACSS Rules). These changes are instrumental in defining the future state of retail batch and have positioned us well to develop a conceptual design for the modernization of the ACSS.

Lynx rule amendments streamlined Lynx contingency measures and supported the implementation of an additional Lynx extreme contingency data centre (Lynx Rule 12 and TSP-002).

PLEDGED OUR COMMITMENT TO SUSTAINABILITY WITH A ROBUST STRATEGY

Payments Canada's **sustainability** strategy was developed and published based on input from internal and external stakeholders, results of our greenhouse gas inventory and guidance provided by the Global Reporting Initiative and Sustainability Accounting Standards Board. As part of this strategy, 30 sustainability-related metrics were developed, grounded in three priority areas — environmental, social and governance — to enhance the sustainability of our economy and those that rely on it.

WELCOMED TWO NEW EXECUTIVE ROLES

Realizing our ambitious vision for the Canadian payment ecosystem requires an increased focus on enhancements to our systems and services and the delivery of our significant programs. To support this work, we introduced two new executive roles, **Chief Payments Officer** and **Chief Delivery Officer**, to strategically align our operations to the objectives set out in our mandate. These new functions position our organization to better deliver our strategic priorities with fortified agility.

FACILITATE

ADVOCATED FOR MODERN PAYMENT LEGISLATION

Together with financial industry leaders, we continued to **advocate for changes to the *Canadian Payments Act*** (CP Act) to expand Payments Canada's membership eligibility and to support broader participation on our systems. Toward the end of 2023, the Government of Canada stated its intention to make these changes within the ***2023 Fall Economic Statement***, setting the stage for a review of relevant by-laws and rules to determine if any changes are necessary to align with changes to the CP Act.

CONNECTED THE INDUSTRY AT THE SUMMIT

For the first time since 2019, we were able to connect in person for our annual conference, **The SUMMIT**. We continued to offer a virtual experience for our delegates, which made The 2023 SUMMIT our first hybrid conference ever. We welcomed **over 1,800 delegates and 250 speakers** from across the payment ecosystem to discuss pertinent payment topics such as ISO 20022, real-time payments, fraud, digital currencies and cybersecurity.

INFORMED THE ECOSYSTEM THROUGH RESEARCH AND POLICY PAPERS

Payments Canada's research and perspective pieces provide the ecosystem with informative and timely insights into payments in support of emerging trends and payment topics. Highlights from our **2022 Canadian Payment Methods and Trends (CPMT) report**, include seeing a 30 per cent growth in credit card use and a 41 per cent decline in cash use over the last five years, which suggests a continued shift towards a cashless society. Canadians continue to favour digital payments, and over one-third of those surveyed are keen on adopting new and emerging payment innovations, suggesting that innovations such as consumer-driven banking will provide sizable benefits to the market. Our market research also revealed that small and large SMEs are eager to **improve their payment processes by leveraging real-time payments** and real-time features like recurring payments, request for payment and higher transaction limits. Our series of articles on emerging payment policy explored topics like **central bank digital currencies** and **QR codes** and their implications on the Canadian payment landscape.

SMEs concerned with economic future, look to faster payments to improve efficiencies

Close to three in 10 SMEs experienced some delays in incoming and outgoing payments over the past six months."

Survey results revealed that SMEs had less optimistic views on their future business and economic outlook than commercial businesses. Small SMEs, in particular, are less optimistic, with 41 per cent responding that they believe the Canadian economy will be in worse shape in the future. Only 18 per cent of total SMEs in Canada believe that the Canadian economy will be in better shape twelve months from now. This is a significant decrease compared to a year ago, when 30 per cent felt this way.

For close to three in 10 SMEs (29 per cent), the biggest payment pain point SMEs experienced was delays in incoming and outgoing payments. The next biggest pain points they experienced were cash flow management issues and being forced to accept a specific method of payment due to being the preferred payment method for customers.

Read more

PUBLISHED: OCTOBER 17, 2023

Our people

We are an organization of approximately 300 people. Every one of us feels responsible for promoting the efficiency, safety and soundness of our national payment clearing and settlement systems. Our people are our most important asset and we strive to offer a collaborative, respectful and rewarding environment where everyone can bring their true selves to work.

BOLSTERED OUR EMPLOYEE ENGAGEMENT

We pride ourselves on our culture of collaboration because we understand that listening to our people makes us stronger. In 2023, we introduced our Employee Listening and Engagement strategy to convert employee feedback into insights our leaders can leverage to create a productive, inclusive and supportive workplace. Our people are more engaged than ever as reflected by our 90 per cent employee participation rate — the highest it has been since 2018. In our hybrid environment, our internal engagement events are an important anchor for employee connection. This year, events like our all-staff meetings, golf tournament, family barbecue day and waffle breakfasts provided opportunities for our people to come together to learn, laugh and build relationships. Our monthly all-employee touchpoint meetings also provided a channel for our people to connect, stay updated and have their questions answered by our leaders.

INVESTED IN OUR TALENT

We're committed to the growth and development of our people. We introduced two new executive functions — Chief Payment Officer and Chief Delivery Officer — to support the efficiency and effectiveness of our operations while continuing to meet the needs of our employees, members and stakeholders. We monitored the final pieces of our compensation review to ensure we remained market-competitive. Our internal development programs are key to our ongoing success, and our offerings in 2023 focused on mentorship, public speaking, navigating challenging conversations and technical skill-building.

REINFORCED OUR COMMITMENT TO DIVERSITY, INCLUSION AND WELLNESS

In 2023, we published our Diversity, Equity and Inclusion (DEI) year-one report internally and implemented year two of our DEI strategy. Our year-two focus was on building relationships with vendors and community partners like the Canadian Association of Urban Financial Professionals (CAUFP), the Employee Accessibility Resource Network (EARN) and Indigenous Link to increase our outreach among diverse communities. As part of our commitment to a fair and equitable workplace, an extensive pay equity analysis was undertaken in 2022, and all identified gaps were addressed in 2023, including the establishment of a pay equity committee to support the development of a plan in 2024. We also leveraged feedback from employees to create an **accessibility plan** to identify workplace barriers and actions to remove them. We introduced three e-learning courses for staff that focused on inclusive language, microaggressions and Indigenous communities in Canada to expand our collective learning. We also developed manager training focused on recruiting Indigenous talent. We continued to celebrate the diversity of our people by hosting events, facilitating conversations and sharing resources related to cultural days of significance. We prioritize personal wellness, and in 2023 we added a wellness account, fertility treatment coverage and virtual healthcare to our benefits plan. We also increased our minimum vacation entitlement from three weeks to four, for all employees.

INTRODUCED A NEW MISSION AND VISION

Payments are evolving faster than ever before, and our new vision for the Canadian payment ecosystem, along with our new mission, reflects this pace of change. Payments in Canada must be resilient, secure, inclusive and globally connected, and all players within the ecosystem must be able to participate and innovate fairly. Developed through employee focus groups and collaborative stakeholder feedback sessions, our mission and vision are a true reflection of our commitment to our purpose: making payments easier, smarter and safer for all Canadians.

Sustainability

Payments Canada is committed to **sustainably meeting today's needs and the needs of future generations**. We incorporate honest and transparent sustainable thinking and actions into our culture and decision-making.

As part of this strategy, we enhanced our sustainability capabilities within our risk and security functions. We pledged our commitment to achieving net zero greenhouse gas emissions by 2050, as set out by the Government of Canada's Net Zero Challenge. To support this, we have updated our travel policy to incorporate sustainable travel guidelines and maintained our headquarters in buildings that are Leadership in Energy and Environmental Design (LEED) certified. We have also developed a sustainability code of conduct for our vendors to work towards aligning sustainability practices and maintained our proportion of corporate spending to ensure at least 90 per cent of our spend is allocated to local suppliers. Additionally, we will leverage the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework, beginning in 2024, to publicly disclose climate-related risks and opportunities.

In 2023, we established a sustainability strategy based on stakeholder input, our greenhouse gas inventory results and globally recognized sustainability standards. We also established our key sustainability metrics on priority topics:

Environmental focus areas include greenhouse gas emissions.

Social focus areas include corporate citizenship and sustainable sourcing.

Governance focus areas include business continuity and risk management, privacy and data protection, executive oversight and transparent reporting.

Risk management: program and governance

Risk management is at the core of our operations, guiding the achievement of our strategic objectives and legislative mandate. We ensure our systems are operating safely and securely for Canadians by maintaining a strong enterprise risk management program.

Payments Canada uses the three lines of defence model for risk management. We will take risks to achieve our legislative mandate and strategic objectives only if those risks:

1. Promote the good of the Canadian ecosystem overall, recognizing that members are significant in the ecosystem.
2. Fit our strategy and can be understood and managed.
3. Position Payments Canada and its systems to be among the most resilient globally within the financial industry.

Regular internal and external environment scans are conducted to identify and manage top and emerging organizational risks. All risks are reported to the Internal Risk Committee and the board of directors' Risk Committee. This provides a comprehensive and integrated view of organizational risks and how they align with our risk appetite.

Evolving the maturity of our risk management practices remains a top priority as we deliver modernized payment systems and as the broader payment ecosystem transforms.

2023 MAJOR RISK ENHANCEMENTS

- ✓ Further matured risk management tools and processes supporting risk identification, assessment and documentation of risks, and implemented an Emerging Risk Identification program based on industry best practices.
- ✓ Completed the first joint crisis management and financial recovery plan exercise with the crisis management team.
- ✓ Introduced metrics to further enhance risk oversight and support current first-line monitoring across the organization including vendor management, sustainability project delivery and data governance.
- ✓ Supported, as a risk partner, the implementation of an additional Lynx data centre and completed the annual operational risk assessment on the Lynx payment system.
- ✓ Completed a series of risk program reviews (internal audit and BoC assurance review).
- ✓ Conducted a holistic review of key risks associated with the RTR in collaboration with RTR leadership.
- ✓ Completed the development and approval of the first version of the RTR Fraud Risk Management framework, which includes alignment from the Bank of Canada (BoC).

2024 – 2028 Corporate Plan

Payments Canada is in the process of updating our strategic priorities that we will actively pursue in the coming years. These priorities revolve around three critical areas:

1. Delivering payment solutions to the payment ecosystem
2. Enhancing the operation of our financial market infrastructures
3. Focusing on our members

In 2023, we introduced a new vision for the Canadian payment ecosystem: A Canadian payment ecosystem that is resilient, inclusive and enables fair competition as the foundation of our thriving economy. To reflect our commitment to our purpose, we introduced our first mission statement: We dedicate ourselves to the delivery, operations and governance of payment systems that are innovative, secure and globally connected. We also introduced three new values to guide our work: Inspire trust, build community and enable change.

Summary of financial operations

SUMMARIZED STATEMENT OF OPERATIONS

(in millions of Canadian dollars)

REVENUES	2023 $	2022 $
Fees	**115**	108
Other revenues	**6**	3
Total revenues	**121**	111

EXPENSES	2023 $	2022 $
Core operations	**110**	99
Projects	**9**	3
Modernization	**16**	3
Total expenses	**135**	105
Excess/(shortfall) of revenue over expenses before the undernoted	**(14)**	6
Unrealized gain on interest rate swaps	**(6)**	14
Surplus/(Deficit)	**(20)**	20

As Payments Canada operates on a cost recovery basis, fee revenues from members are closely correlated with our cost base. In 2023, transaction fee revenues from members were $115 million, six per cent above the prior year. This was as a result of increases to transaction fees charged to participants, coupled with the continued growth in transaction volumes and value processed by the Lynx and ACSS payment systems.

Core operating expenses were above the prior year primarily due to inflationary pressures; incremental costs associated with the deployment of a new set of ISO 20022-enabled payment messages for the Lynx payment system (known as Lynx Release Two); and enhancements to payment system support and resiliency for the ACSS and Lynx payment systems.

Project spending increased by $6 million versus the prior year due to the development of the Lynx contingency solution, as well as the future state of retail batch and fraud strategies.

In 2023, the Modernization program focused on the delivery of Lynx Release Two, which went live in March 2023, and the advancement of the Real-Time Rail (RTR). Modernization expenses totalled $16 million, with an additional $44 million of expenditures reflected on our balance sheet in the form of capitalized intangible assets.

While day-to-day operating costs for the current systems are primarily covered by the common service fee and system transaction fees, the costs associated with the RTR portion of the Modernization program are funded through debt financing. 2023 costs incurred relating to the Lynx Release Two go-live were funded via unrestricted reserves.

SELECTED ITEMS FROM THE STATEMENT OF FINANCIAL POSITION

(in millions of Canadian dollars)

SELECTED ITEMS	2023 $	2022 $
Cash and short-term investments	**49**	60
Accounts receivable	**30**	28
Interest rate swaps	**9**	15
Capital assets and intangible assets	**257**	230
Accounts payable and accrued liabilities	**22**	25
Demand and term loans	**372**	336

Payments Canada's statement of financial position continues to grow. Total assets increased by $12 million primarily as a result of the growth of intangible assets (related to the development of the RTR). This was partially offset by a year-over-year decrease in cash and short-term investments resulting from the timing of cash flows from operations. As planned, the Modernization program has put Payments Canada into a temporary net liability position that will diminish once modernized systems become operational and members are subsequently billed for their use.

Liabilities grew during the year, reflecting further draws on the demand loan facility to fund the development of the RTR. The outstanding debt at the end of 2023 relating to the Modernization program comprises a $158 million term loan and a $214 million outstanding balance on the revolving demand loan.

Independent auditor's report

To the Members of Payments Canada

OUR OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Payments Canada (the Company) as at December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of operations for the year then ended;
- the statement of changes in net assets (liabilities) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
May 24, 2024

Financial statements

For the year ended December 31, 2023

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2023 (in thousands of dollars)

ASSETS	2023 $	2022 $
Current assets		
Cash	**1,593**	12,769
Short term investments (note 4)	**47,477**	47,571
Accounts receivable	**29,802**	28,200
Interest rate swaps (note 8)	**9,022**	15,080
Prepaid expenses	**6,395**	5,187
	94,289	108,807
Capital assets (note 5)	**2,814**	3,312
Intangible assets (note 6)	**254,020**	226,615
	351,123	338,734

LIABILITIES AND NET ASSETS (LIABILITIES)	2023 $	2022 $
Current liabilities		
Accounts payable and accrued liabilities	**22,064**	25,142
Deferred revenue	**1,572**	1,340
Current portion of debt (note 8)	**233,100**	178,100
	256,736	204,582
Tenant inducement	**325**	525
Employee future benefits (note 7)	**1,870**	1,620
Long-term debt (note 8)	**138,475**	157,575
	397,406	364,302
Net assets (Liabilities)		
Unrestricted — Core	**34,178**	39,817
Unrestricted — Modernization	**(125,735)**	(110,818)
Internally restricted (note 9)	**45,274**	45,433
	(46,283)	(25,568)
	351,123	338,734

Commitments (note 10)
Subsequent events (notes 6, 8)

Approved by the Board of Directors

Director Director Director

STATEMENT OF OPERATIONS

For the year ended December 31, 2023 (in thousands of dollars)

STATEMENT OF OPERATIONS	2023 $	2022 $
Revenues		
Fees	**114,951**	108,248
Conference	**2,219**	1,164
Other	**3,604**	1,458
	120,774	110,870

EXPENSES	2023 $	2022 $
Modernization program	**15,768**	2,983
Salaries and benefits	**46,612**	38,205
Technology and telecommunications	**31,482**	29,278
Projects	**8,739**	2,934
General administration	**5,793**	4,858
Interest expense	**3,973**	4,392
Amortization of capital and intangible assets	**17,641**	17,405
Professional services	**4,763**	4,264
Bank of Canada Settlement Services Fee	**900**	900
Costs incurred for (recovered from) members	**(240)**	(270)
	135,431	104,949
Excess / (shortfall) of revenue over expenses before the undernoted	**(14,657)**	5,921
Fair value adjustment on interest rate swaps (note 8)	**(6,058)**	14,353
Net revenues (expenses) for the year	**(20,715)**	20,274

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS (LIABILITIES)

For the year ended December 31, 2023 (in thousands of dollars)

STATEMENT OF CHANGES IN NET ASSETS (LIABILITIES)	BALANCE— BEGINNING OF YEAR $	NET REVENUES (EXPENSES) FOR THE YEAR $	TRANSFERS $	BALANCE— END OF YEAR $
Unrestricted				
Core operations	39,817	(4,947)	(692)	34,178
Modernization program	(110,818)	(15,768)	851	(125,735)
	(71,001)	(20,715)	159	(91,557)
Internally restricted (note 9)				
Principles of financial market infrastructure	31,094	—	767	31,861
Modernization program	4,091	—	(1,257)	2,834
Stabilization	10,248	—	331	10,579
	45,433	—	(159)	45,274
	(25,568)	**(20,715)**	**—**	**(46,283)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023 (in thousands of dollars)

CASH PROVIDED BY (USED IN)	2023 $	2022 $
Operating Activities		
Net revenues (expenses) for the year	**(20,715)**	20,274
Items not affecting cash		
Amortization of tenant inducement	**(200)**	(200)
Amortization of capital and intangible assets	**17,641**	17,405
Employee future benefits expense	**283**	350
Cash paid for employee future benefits	**(33)**	(34)
Fair value change on interest rate swaps	**6,058**	(14,353)
Net change in non-cash working capital items	**—**	—
Accounts receivable	**(1,602)**	(11,426)
Prepaid expenses	**(1,208)**	382
Accounts payable and accrued liabilities	**(3,078)**	1,279
Deferred revenue	**232**	(719)
	(2,622)	12,958

INVESTING ACTIVITIES	2023 $	2022 $
Purchases of short-term investments	**(108,726)**	(70,258)
Proceeds on sale of short-term investments	**108,821**	72,125
Purchases of capital assets	**(997)**	(1,105)
Additions of intangible assets	**(43,552)**	(74,087)
	(44,454)	(73,325)

FINANCING ACTIVITIES	2023 $	2022 $
Repayment of demand loans	**—**	—
Repayment of term loans	**(19,100)**	(14,325)
Advances of term loan	**—**	—
Advances of demand loan	**55,000**	85,000
	35,900	70,675
Net change in cash for the year	**(11,176)**	10,308
Cash — Beginning of year	**12,769**	2,461
Cash — End of year	**1,593**	12,769

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023 (in thousands of dollars)

1. GENERAL INFORMATION

Canadian Payments Association, doing business as Payments Canada ("the Company"), was incorporated in 1980 by an Act of Parliament of Canada. The objectives of the Company are to:

- establish and operate national systems for the clearing and settlement of payments and other arrangements for the making or exchange of payments;
- facilitate the interaction of its clearing and settlement systems and related arrangements with other systems or arrangements involved in the exchange, clearing or settlement of payments; and
- facilitate the development of new payment methods and technologies.

The *Canadian Payments Act* ("the Act") and *Finance By-Law* made under the Act provide the Company with the authority to require its members to pay dues and fees. The fees collected by members are used to recover the Company's cost of operating Canada's payment systems.

The Company is funding the Modernization program by way of bank financing and restricted Modernization reserves as opposed to annual dues and fees from members. As such, the Company distinguishes costs incurred to modernize Canada's payment systems from its ongoing operating costs in the financial statements. The Modernization components of the financial statements include all costs borne by the Modernization program that have been financed by way of bank financing and restricted Modernization reserves. Following the completion of the Modernization program, the debt incurred to fund the program will be transferred to core operations and serviced by way of system transaction fees. (also see note 3 "Liquidity risk").

The Company has elected to operate as a non-profit organization, under paragraph 149(1)(l) of the *Income Tax Act* and, as such, is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the year. Actual results could differ from these estimates.

Short term investments

Government of Canada treasury bills are initially measured at fair value. These financial assets are subsequently measured at amortized cost.

Capital and intangible assets

Capital and intangible assets comprise both tangible and intangible assets and are initially recorded at cost. Amortization is provided on the basis of their useful lives using the straight-line method over the following durations:

Leasehold improvements	Over the term of the lease
Office furniture	5 years
Payment and corporate systems	3 – 5 years
Payment system — ACSS	3 years
Payment system — Lynx	10 years

Modernization systems under development will not be amortized until substantially available for use.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset (or asset group) exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposal. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Impairments of long-lived assets are not reversed.

Tenant inducement

Tenant inducements are amortized on a straight-line basis over the terms of the leases and are included in general administration expenses in the statement of operations.

Employee future benefits

The Company provides a life and health insurance plan to its employees subsequent to their retirement.

The Company accrues its obligations and related costs for employee future benefits as the employees render the service necessary to earn retirement benefits. As these benefits are unfunded, the obligation is measured using an actuarial valuation prepared for accounting purposes, which incorporates management's assumptions used for cost escalation, average ages of employees and other actuarial factors. The actuarial valuation is performed at least every three years. In the years between valuations, plan results are prepared based on extrapolations of the latest available actuarial valuation results.

The benefit plan expense for the year consists of the current service and interest costs. Remeasurements and other items are recognized directly in the statement of changes in net assets (liabilities).

Revenue recognition

Fees are recognized as revenue as transactions are processed.

Common service fees are recognized as revenue proportionately over the year to which they relate. Fees received in advance of the related fiscal year are recorded as deferred revenue.

Revenues from conferences are recognized in the year the conference takes place.

3. FINANCIAL RISKS

Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at fair value and subsequently measures its financial assets and financial liabilities at amortized cost, except for derivative financial instruments, which are measured at fair value. Changes in fair value are recognized in net revenues (expenses) for the year. Financial assets and liabilities measured at amortized cost include cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, demand loans, and long-term debt.

Impairment

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired. If the Company determines there has been a significant adverse change in the expected amount or timing of future cash flows, the carrying amount of the asset is reduced to the higher of the expected cash flows expected to be generated by holding the asset, discounted using a current market rate of interest, and the amount that could be realized by selling the asset at the balance sheet date.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at each statement of financial position date. Changes in fair value are recorded in net revenues (expenses) for the year. The Company enters into interest rate swaps to allow for more certainty on the floating component of the interest due on the term loan. The Company has not adopted hedge accounting.

Credit risks

Credit risk represents the extent of credit related losses the Company may be subject to on amounts to be received from financial assets. The Company's exposure to credit risk is as indicated by the carrying values of its cash and accounts receivables.

Any cash held by the Company is on deposit with a Schedule 1 financial institution. Excess cash, as presented in short-term investments, is placed in treasury bills with Canadian financial institutions.

The Company's exposure to credit risk resulting from uncollectible accounts is influenced by the individual characteristics of its customers, many of which are banks and financial institutions. The Company invoices its customers on a regular basis and monitors overdue receivables. There is no concentration of credit risk arising from trade receivables from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of access to the national clearing and settlement systems, and other services which would be detrimental to their business operations.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The Company is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the enterprise to fair value risk, while floating rate instruments subject it to cash flow risk. As at December 31, 2023, the Company's exposure to interest rate risk is as follows:

- **Short-term investments:** the Company's holdings in treasury bills are exposed to interest rate risk. However, given the short-term duration of these instruments, and that interest proceeds from short-term investments remain their respective reserve funds, the Company does not consider the risk to be significant (note 4).
- **Revolving Demand loans:** The Company's demand loans are subject to variable interest rates (note 8) , therefore, fluctuations in market rates could have an impact on the Company's interest rate expense.
- **Long term debt:** The Company's revolving and term loans are subject to floating and fixed interest rates (note 8). However, the Company has partially mitigated the interest rate risk on the floating portion of its long-term debt by entering into swap arrangements to fix the interest rate over the duration of the term loan as further described in note 8.

Liquidity risk

Liquidity risk is the risk the Company may be unable to meet short-term, financial demands. This can arise when liquid assets are insufficient to meet the Company's current obligations. The Company is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities, and its current and long-term debt.

The Company needs liquidity primarily for operating expenses, but also for the significant capital expenditures in relation to the ongoing Modernization program (which remains in progress). The extent of completion and funds required is uncertain at this stage. The Company manages liquidity risk closely and only borrows from a syndicate of members, as there is a mutual interest for both the Company and the member banks in doing so. The current Demand Loan (note 8) is expected to be converted into a long-term debt instrument once the capital project is complete and as the modernization payment systems go-live, at which point the loan repayments would commence.

Management considers it probable that it will receive the additional loan funding resources required, in excess of the current available facility, to complete the Modernization program. Management also considers it probable that it will receive transaction fees from its members to repay all of its debt obligations due to the unique relationship and interdependencies it has with its members and its lenders, resulting from The *Canadian Payments Act* ("the Act") and *Finance By-Law*. However, there is no assurance that the Company will be able to raise such additional bank financing on acceptable terms. If the Company is unable to obtain additional bank financing or has to repay the current demand facility, it has the ability to increase common and transaction fees to continue to fund the project under the Act and *Finance By-Law*. For these reasons, management believes there is no material uncertainty regarding the ability of the Company to continue as a going concern.

The Company has created and manages cash reserves to ensure stability in its member fees and allows it to have sufficient liquidity to meet its account payable and accrued liabilities. Demand loans are arranged with member banks to ensure capital investments are made to upgrade the clearing and settlement systems and support the sustainability of an efficient infrastructure for its members.

4. SHORT TERM INVESTMENTS

Government of Canada treasury bills bear interest at fixed rates ranging from 4.604 per cent to 5.049 per cent (2022 – 3.100 per cent to 3.948 per cent), and mature in 2024 (2022 – 2023).

5. CAPITAL ASSETS

CAPITAL ASSETS	COST $	ACCUMULATED AMORTIZATION $	NET 2023 $	NET 2022 $
Leasehold improvements	4,415	3,949	**466**	1,064
Office furniture	2,310	2,174	**136**	323
Payment and corporate systems	20,068	17,856	**2,212**	1,925
	26,793	**23,979**	**2,814**	**3,312**

Cost and accumulated amortization amounted to $25,793 and $22,484, respectively as at December 31, 2022.

6. INTANGIBLE ASSETS

INTANGIBLE ASSETS	COST $	ACCUMULATED AMORTIZATION $	NET 2023 $	NET 2022 $
Payment system (Lynx and ACSS)	152,691	32,680	**120,011**	122,920
Modernization systems under development	134,009	—	**134,009**	103,695
	286,700	32,680	**254,020**	226,615

Cost and accumulated amortization amounted to $243,147 and $16,532, respectively as at December 31, 2022.

On March 25, 2024, the Company made the decision to replace the vendor engaged for the development and provision of clearing and settlement services for the Real-Time Rail payment system, a component of the Company's Modernization program. Eligible costs related to the development of the system have been capitalized as an intangible asset under development with a cost of $134,009 as at December 31, 2023.

Due to the utilization of a new vendor to develop and provide these services for the Company, it was determined that portions of costs previously capitalized will no longer contribute to the new payment system under development and a loss will be recognized in the fiscal year ending December 31, 2024. Management estimates the amount of the loss will be approximately $35,000, consisting of resource and vendor costs.

7. EMPLOYEE FUTURE BENEFITS

The most recent valuation date was December 31, 2023. Extrapolations of the actuarial valuation indicated an actuarial loss of nil (2022 — $665) and an accrued benefit liability of $1,870 (2022 — $1,620).

As the plan is unfunded, this amount is recorded as an employee future benefits liability in the statement of financial position.

Significant assumptions:

EMPLOYEE FUTURE BENEFITS	2023 %	2022 %
Discount rate	**4.70**	5.30
Health care cost trend rates:		
Hospital, dental, other medical	**4.00**	4.00
Drugs, grading down to 4.00% per annum in 2040	**5.93**	6.05

8. DEBT

DEBT	2023 $	2022 $
Revolving demand loan (a)	**214,000**	159,000
Term loan (b)	**157,575**	176,675
	371,575	335,675
Less: Current portion debt long-term debt	**233,100**	178,100
	138,475	157,575

(a) The Modernization program is being funded by a $279,000 (2022 — $279,000) revolving demand loan which is available by way of short-term CDOR loans. The CDOR loans mature on a three-month basis, allowing the Company to renew and draw on the revolving demand loan to fund the Modernization program.

Management is confident that it can secure additional funding as required to bring the Modernization program to completion given its unique relationship with Lenders (note 3). As at December 31, 2023, $214,000 (2022 — $159,000) was drawn down under this loan with a fixed interest rate of 6.1850 per cent (2022 — 5.0100 per cent), maturing January 13, 2024 (2022 — January 13, 2022).

In 2022, the Company entered into a forward starting interest rate swap to fix a portion of the Modernization revolving demand loan prior to converting it to a term loan following the completion of the RTR Modernization program. While a notional value of $140,000 will be fixed for ten years, a portion of the remaining Modernization revolving demand loan will remain exposed to floating interest rates as the program continues to draw on the demand facility. The swap has a flexible feature allowing the Company to choose an effective date on any business day between June 30, 2023 to June 28, 2024. Interest payments are not due until the Company determines the effective date of the swap.

The following table summarizes the commitment to allow for more certainty on the floating component of the interest due on the revolving demand portion loan as at December 31, 2023.

NOTIONAL AMOUNT	INTEREST RATE	MATURITY	FAIR VALUE
$140,000	3.67%	Between June 30, 2033 and June 28, 2034	$(1,929)

The Company has unwound the $140,000 forward starting interest rate swap on January 18, 2024; net proceeds paid to the Company were $10.

(b) The Company obtained a term loan, in July 2021, repayable in quarterly payments of $4,775 starting on June 30, 2022, and maturing in March 2032. Interest payments on the term loan, started in December 2021 at a floating rate of CDOR plus 0.60 per cent.

In 2021, the Company entered into an interest rate swap to mitigate interest rate risk on the term loan. While the CDOR rate has been fixed for the duration of the ten year amortization period of the term loan, there remains repricing risk on the term loan with respect to the 60 bps spread component of the interest rate, which will be subject to renegotiation following the expiry of the five year term.

The following table summarizes the remaining commitment relating to the term loan, including the fixed interest rate resulting from the swap arrangement as at December 31, 2022.

NOTIONAL AMOUNT	INTEREST RATE	MATURITY	FAIR VALUE
$157,575	1.75%	March 31, 2032	$10,951

Fair value of the above derivative swap instruments have been determined using broker quotes from a derivatives dealer. The aggregate minimum amount of loan principal payments required in each of the next five years and thereafter is as follows:

YEARS	$
2024	233,100
2025	19,100
2026	19,100
2027	19,100
2028	19,100
Thereafter	**62,075**

9. INTERNALLY RESTRICTED RESERVES

The Company has established a reserve policy restricting a portion of the net assets. The level of the restricted balance is reviewed and adjusted annually by the Board of Directors.

Principles of financial market infrastructure

This reserve was established in order to meet the requirements of Principle 15 — General Business Risk requirements from The Bank of Canada's risk-management standards for designated FMIs. This reserve has been created to support the operation of the High Value Payments System as well as the Automated Clearing Settlement System in the event that they incur a general business loss.

Modernization program

This fund was established in 2017 to support the Modernization program funding requirements.

Stabilization reserve

The purpose of this reserve is to mitigate against the volatility of transactions by creating a stable source of funds that can easily be drawn upon, in the event there is a decline in the transaction fees collected from members.

10. COMMITMENTS

The Company is committed to minimum payments under long-term operating leases for the rental of premises, infrastructure services and office equipment as follows:

YEARS	$
2025	17,917
2026	15,932
2027	9,015
2028	529
2028	—

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