

Bank of Canada designates Automated Clearing Settlement System under the Payment Clearing and Settlement Act

OTTAWA, ONTARIO — The Governor of the Bank of Canada has designated, effective 2 May 2016, the Automated Clearing Settlement System (ACSS) for oversight under the Payment Clearing and Settlement Act (PCSA) as a clearing and settlement system that has the potential to pose payments system risk. The ACSS is owned and operated by the Canadian Payments Association (CPA), an organization established by the Canadian Payments Act to operate national payment systems.

The ACSS is being designated following the expansion of the Bank's oversight responsibilities in December 2014 to include systems that have the potential to pose payments system risk (referred to as Prominent Payment Systems). A disruption or failure of a Prominent Payment System could cause a significant adverse effect on economic activity in Canada, potentially leading to a general loss of confidence in the overall Canadian payments system.

Each day the ACSS clears the majority of non-cash retail payments in Canada, or almost 27 million transactions with a value of \$24.7 billion, on average. Given the variety of payments cleared, several without immediate substitutes, and the importance of those payments for a broad range of economic activity, it is considered to be central to the Canadian payments system.¹

Designation brings the system under the formal oversight of the Bank of Canada, which requires compliance with [Risk Management Standards for Prominent Payment Systems](#). These are based on the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI); amended to reflect the different risks posed by Prominent Payment Systems compared to systems designated as systemically important. Designation also provides the system with legal protections that are important to the finality of payments.

The Minister of Finance has confirmed that he is of the opinion that designation of the ACSS is in the public interest.

¹ On February 1, 2016 the Bank finalized [criteria](#) to guide the identification of Prominent Payment Systems, following a period of public consultation.



Background

Under the PCSA, the Bank of Canada has formal responsibility for the designation and oversight of clearing and settlement systems that have the potential to pose systemic, or payments system risk.

Since the PCSA was adopted in 1996, five financial market infrastructures have been previously designated by the Bank as having the potential to pose systemic risk: the Large Value Transfer System (LVTS), which clears and settles large-value Canadian-dollar payments; CDSX, which clears and settles securities transactions; CLS Bank, a global system for the settlement of foreign exchange transactions; SwapClear, the dominant global system for centrally clearing over-the-counter (OTC) interest rate swaps (IRS); and the Canadian Derivatives Clearing Service, which centrally clears fixed-income and derivatives contracts.

In 2014, the federal government amended the act to give the Bank of Canada the additional responsibility to oversee payment systems that, while not systemically important, have the potential to pose payments system risk. The ACSS is the only system to have received this designation by the Bank.

For further information on the Bank of Canada's responsibilities for the oversight of clearing and settlement systems in Canada, please visit the Bank's [website](#).