

Retail Payments Advisory Committee – Registration Process

23-24 September, 2021

This note is provided to support engagement on the Bank of Canada's (the Bank) registration process under the *Retail Payment Activities Act* (RPAA).

It describes the Bank's current thinking on:

- The steps that a PSP will need to go through to become registered with the Bank
- Information collected by the Bank at registration for the purposes of its supervisory role
- Information published on the Bank's PSP registry

This note will be discussed at the September 2021 Retail Payments Advisory Committee (RPAC) meeting. Additional feedback is welcome from non-RPAC participants via the RPAC [email](#) address. The feedback the Bank receives will inform future work on, and decisions about, the registration process and the development of guidance.

The analysis contained in this note is preliminary. While reading it, you are encouraged to think about any issues or considerations the Bank should keep in mind as it develops the registration process, including the potential information the Bank may request from PSPs. There are additional questions provided to help guide RPAC members' preparation for the meeting – they are not mandatory nor exhaustive. They are a starting point for discussion to assist the Bank in gathering information to guide its work on the registration aspect of the supervisory framework.

This note does not represent the Bank's final views on the material presented. The detail provided is to enable discussion, and changes to this material are anticipated as the Bank continues its work on the supervisory framework and regulations are developed and made that will prescribe aspects of the registration process. The Department of Finance Canada will lead work to develop regulations contemplated by the RPAA. [The regulation-making process is described here and the authorities for the regulations are set out in the RPAA.](#)

A. Registration Process

To contextualise the discussion material in Sections B and C of this note, Section A provides a brief walkthrough of the registration process. The *Retail Payment Activities Act* (RPAA) will require the Bank to register payment service providers (PSPs) that perform retail payment activities. It is envisioned that this registration process would have four steps:

1. Registration Screening
2. Registration Application
3. Coordination with Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and the Department of Finance Canada

4. Registration Decisions, Reviews Requested in Circumstances where Registration is Refused, and Publication

The following sub-sections explain what each of these steps would entail.

Step 1: Registration Screening

To help increase the efficiency of the registration process, the Bank envisions establishing a screening step designed to identify entities that would be clearly excluded from the RPAA's registration requirement.

Registration screening would help screen out excluded entities before they submit a registration application and the application fees, reducing the number of unnecessary registration applications. There would be no fee associated with this screening process.

Step 2: Registration Application

The main goal of the registration application is for the Bank to determine if an applicant is a PSP that is in scope of the RPAA. The registration application process will be considered *complete* once the applicant submits all information requested on the registration application form, pays the associated application processing fee,¹ and is deemed to be in scope based on the information provided to the Bank.

At this point, the applicant would be notified that its application is complete and whether the Bank has deemed it to be in scope or not. If the applicant has been deemed to be in scope, its registration application information will be shared with FINTRAC and the Department of Finance Canada, as required by the RPAA.

Step 3: Coordination with FINTRAC and the Department of Finance Canada

Following the submission of a complete application, the Bank is required to share application information with FINTRAC and the Department of Finance Canada (and any person or government authority that the Minister of Finance designates).

FINTRAC will have 30 days to provide the Bank information specified in the RPAA regarding the applicant (e.g., whether the applicant is registered with FINTRAC, whether the applicant has been found guilty of specified offences under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA)). The Bank may refuse the PSP's registration at its discretion if there are reasons to based on FINTRAC-related information. In addition, the Bank could refuse a PSP's registration for other reasons described in the RPAA, such as if the PSP failed to provide the Bank with additional registration related information or if it provided false or misleading information.

The Minister of Finance may direct the Bank to refuse the PSP's registration for reasons related to national security, and the Bank would subsequently notify the applicant of this decision. The Bank will not be involved in the national security review of a PSP, other than to communicate with the PSP or otherwise act as required under the RPAA.

Step 4: Registration Decisions, Reviews, and Publication

After the Bank receives information from FINTRAC, it will have a prescribed period in which it may, at its discretion, refuse the PSP's registration for reasons set out in the RPAA (e.g., the applicant has provided

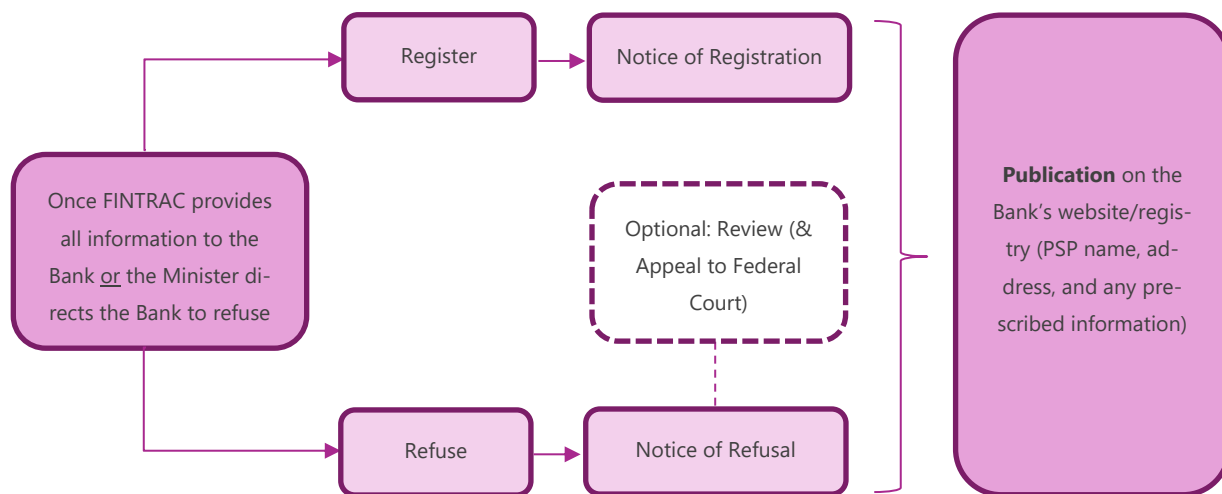
¹ As noted in the discussion note providing a brief overview of this supervisory framework, the Bank plans to prepare a separate discussion note on the types of fees in the RPAA and engage with RPAC in late 2021 or early 2022.

false and misleading information, the applicant has been found guilty of specified offences under the PCMLTFA).

If the Minister of Finance decides to undertake a national security review, the Bank must wait for the review to conclude before registering the PSP. If, following the review, the Minister does not direct the Bank to refuse registration, the Bank may register the PSP, in which case the PSP will receive a notice of registration and be published on the registry.

If refused, the PSP will receive a notice of refusal and will have the option to, within a prescribed period, make a request to the Governor for a review of the refusal (if refused by the Bank), or make a request to the Minister for a review of the refusal (if refused by the Minister for national security reasons), and ultimately to appeal the case to Federal Court (where applicable). If, after any applicable reviews or appeals, registration is still refused, then the PSP can no longer perform retail payment activities (or cannot begin performing retail payment activities). The Bank must then publish the refused entity, along with reasons for refusal.

Figure 1: Registration Decisions, Review, and Publication



B. Information Collected at Registration

As mentioned above, PSPs will be required to submit to the Bank an electronic application form to register as a payment service provider. As indicated in Section 29 of the RPAA, this application form will need to include many types of information about the applicant, all of which would be used to:

- Determine if an applicant is a PSP that is in scope of the RPAA;
- Help the Bank understand the basic characteristics of the PSP; and
- Enable the application of safeguards under the authority of the Minister of Finance to address national-security related risks.

As mentioned in the discussion note titled *Brief overview of retail payments supervision*, there is no regulatory compliance assessment taking place at registration because this is not a licensing regime. In fact, the Bank's assessment of whether a PSP is in compliance with the risk management requirements would begin after an applicant is registered as a PSP.

The tables below outline what may be requested to be submitted as part of the registration application.

The Bank developed this preliminary list of information to support discussion on the first two objectives outlined above, which fall under the Bank’s mandate. The Bank will share the findings from this consultation with the Department to inform the regulations and facilitate additional consultations.

- 1) The table below outlines potential information to be collected at registration:
 - a. Is there any information that may be a challenge to provide? If so, why would it be a challenge? Is there different information the Bank could collect that would achieve similar outcomes?
 - b. Is there any additional information that the Bank should collect at registration and how would it help the Bank better understand the registrant?

<i>Information Category</i>	<i>Specific information that may be requested</i>
Language	- Preferred language of communication (French or English)
Name	<ul style="list-style-type: none"> - Applicant’s legal business name (and language of name) - Trade names and operating names under which the applicant performs or plans to perform payment functions as a service or business activity (and language of name) - Indication as to whether the applicant has previously submitted an application for registration. - If applicable, existing registration number issued to applicant by the Bank (in the case of an application after a revocation, a refusal or a cessation) and the date the registration was issued.
Contact Information	<ul style="list-style-type: none"> - Contact details of designated person who is responsible to communicate with the Bank of Canada in respect of the application for registration (position/title, business address, telephone number, and e-mail address) - Contact details for payment enquiries related to the application fee (if different from contact above) - Address of business (and head office, if different) - Business telephone number - Business email address - Business facsimile number (if applicable) - Business website address (if still under development, planned launch date) - Business address, business telephone number, and business e-mail address of the person submitting the application on the applicant’s behalf.

	<ul style="list-style-type: none"> - If different than the previous information, address, telephone number, and e-mail address of the person who may be contacted for payment inquiries related to the application.
<p><i>Dwelling-house</i></p>	<ul style="list-style-type: none"> - Indication as to whether any retail payment activities of the applicant are carried out in a dwelling house (i.e. a residence). - If so, address of place of dwelling-house, telephone number, email address, facsimile number (if applicable).
<p><i>Business Structure</i></p>	<ul style="list-style-type: none"> - A description of the applicant’s organisational structure, including a copy of its organizational structure chart.
<p><i>Corporations and legal forms other than corporations</i></p>	<ul style="list-style-type: none"> - Incorporation number, date of incorporation, place and jurisdiction of issue, and legislation of incorporation or equivalent information if the PSP is established in a legal form other than as a corporation (e.g. association, partnership, trust). - Copy of legal documents establishing the entity (e.g. certificate of incorporation and articles of incorporation, letters patent). <ul style="list-style-type: none"> o Names of key staff, including the chief executive officer (if any), the president, the chief risk officer (if any), and the chief compliance officer (if any).
<p><i>Partnerships</i></p>	<ul style="list-style-type: none"> - Names of partners and their status (e.g. limited partner, general partner) - For individual partners, date of birth - For corporate partners, the information specified above for PSPs structured as corporations
<p><i>Sole Proprietorships</i></p>	<ul style="list-style-type: none"> - Name(s) of sole proprietor <ul style="list-style-type: none"> o Date(s) of birth - CRA number or other business number (e.g., Canadian industry identifier)
<p><i>Subsidiaries</i></p>	<ul style="list-style-type: none"> - Their trade names, operating names, and legal names. - Their business address, business email, business phone number, and business website (if any). - Their performed retail payment activities (if any) and addresses of where they are carried out.
<p><i>Agents & Mandataries</i></p>	<ul style="list-style-type: none"> - Trade names, operating names, and legal names of every agent and mandatary. - Business address, business telephone number, and, if applicable, business e-mail address and website of every agent, and mandatary.

	<ul style="list-style-type: none">- A description of the retail payment services that are provided by each agent and mandatary (including safeguarding of end-user funds) on behalf of the applicant.- A description of the applicant's retail payment activities interaction with each agent and mandatary.
<i>Payment Functions</i>	<ul style="list-style-type: none">- A description of the payment functions performed or planned to be performed
<i>Retail Payment Activity</i>	<ul style="list-style-type: none">- A description of the payment functions performed in relation to electronic funds transfers (note: guidance/examples will be provided pending ongoing policy work).- Currencies used to perform retail payment activities.
<i>Geographic Perimeter</i>	<ul style="list-style-type: none">- Please identify the name of each financial institution in Canada at which you maintain a bank account and use as a clearing and settlement agent.- If the applicant does not have a place of business in Canada, indication as to whether the applicant performs retail payment activities for end users in Canada.- If the applicant does not have a place of business in Canada, indication as to whether the applicant directs services to end users in Canada (note: guidance/examples will be provided pending ongoing policy work).
<i>Exemptions & Exceptions</i>	<ul style="list-style-type: none">- Names and contact information of other regulators (domestic and foreign) supervising the applicant and the statutes under which these regulators supervise the applicant (if any).- Indication as to whether performed retail payment activities are "closed-loop" (i.e., in relation to an electronic funds transfer that is made with an instrument that is issued by a merchant, or by an issuer that is not a payment service provider and has an agreement with a group of merchants and that allows the holder to purchase goods or services only from the issuing merchant or any merchant in the group).- Indication as to whether performed retail payment activities are in relation to an electronic funds transfer that is made for the purpose of giving effect to an agreement that is an eligible financial contract as defined in subsection 39.15(9) of the CDIC Act.- Indication as to whether performed retail payment activities are in relation to an electronic funds transfer that is made for the purpose of cash withdrawal at an automatic teller machine.- Indication as to whether performed retail payment functions are in relation to an electronic funds transfer that is made between

	<p>affiliated entities which the payment service provider is one of the affiliated entities, and no other payment service provider performs payment functions in relation to that electronic funds transfer.</p>
Values and Volumes^{2,3}	<ul style="list-style-type: none">- Daily average value (for each month for the previous twenty-four (24) months) of end user funds held, measured as: end user funds held at the end of each day in the month, summed, divided by the total days in the month- Daily average volume and value (for each month for the previous twenty-four (24) months) of electronic funds transfers (EFTs). Values and volumes should be measured as daily volume / value for each day in the month, summed, divided by the total days in the month, and include the following:<ul style="list-style-type: none">o Initiation of EFTs at the request of an end user,o Authorization of EFTs or the transmission, reception, or facilitation of an instruction in relation to EFTs, ando EFTs cleared or settled;- Where a PSP had not yet begun operations, annual projections for each of these metrics for the first two years of operations.
End Users / Interconnectedness⁴	<ul style="list-style-type: none">- Total number of end users measured at end of each month for the previous twenty-four (24) months.- Total number of PSPs to which retail payment activities are provided, measured at end of each month for the previous twenty-four (24) months. PSPs include any:<ul style="list-style-type: none">o Financial institutiono Financial market infrastructureo PSP on the Bank's registryo Foreign PSPo [Note: the above metric does not include PSPs to which services are provided only as an end user (i.e., where those PSPs

² The scope of reporting should follow the scope of retail payment activities (including geographic scope) covered by the RPAA. See registration scope note for further details.

³ It is currently anticipated that the scope of reporting for these measures should align with the scope of retail payment activities and the geographic scope established in the RPAA. That is, a PSP with a place of business in Canada should report these measures for all retail payment activities that are within the scope of the Act, while a PSP without a place of business in Canada should report these measures for only with respect to their payment activities performed for end users in Canada. See registration scope note.

⁴ As above, it is currently anticipated that the scope of reporting for these measures should align with the scope of retail payment activities and the geographic scope established in the RPAA. See registration scope note.

are accessing services as a payer or a payee, in which case they should be included in the “total number of end users”, above). However, this metric should include services that are provided to another PSP as part of a broader payments chain (e.g., clearing and settlement; authorisation of an EFT or the transmission, reception, facilitation of an instruction in relation to an EFT)].

Business Model for Holding Funds

- Where a PSP had not yet begun operations, annual projections for each of these metrics for the first two years of operations.
- A description of the applicant’s business or operational structures that enable the applicant to hold end-user funds, including but not limited to:
 - o Which financial institution(s) an applicant uses or will use to place end-user funds in an account.
 - o Whether the applicant will need to rely on another entity (e.g., another PSP) to have indirect access to an account provided by a financial institution.
- Details surrounding the various currencies in which end-user funds are or will be held, and, if funds are held in multiple currencies, the share held in each currency.
- Whether the applicant has or will have products or services that involve “pre-funding”.

Safeguarding End-user Funds

- Which end-user fund safeguarding options the applicant has selected to use or plans to use, and whether there is a distinct portion of the end-user funds that would be safeguarded using a particular option;
- Whether the end-user funds would form part of the applicant’s general estate if it were to be subject to an insolvency proceeding.

Risk Management and Incident Response Framework

- Whether the applicant is subject to operational risk management and incident response regulation in another jurisdiction or by another regulator in Canada.
- Whether the applicant aligned with a recognised operational risk standard or cyber security framework (e.g., NIST, COBIT, ISO, PCI, other).
 - o Whether the applicant has certification for any of the standards/frameworks with which it is aligned.

Third party service providers

- Whether the applicant relies on a third-party service provider to implement its retail payment activities, and if yes, how so (e.g., network provider, data centre, back-office payment processing, etc.)

	<ul style="list-style-type: none"> - Whether the applicant relies on a third-party service provider to manage operational risk, and if yes, how so (e.g., cyber security, business continuity planning, etc.) - Trade names, operating names, and legal names of every third-party service provider used to perform retail payment activities, manage operational risk - Business address, business telephone number, and, if applicable, business e-mail address and website of every third-party service provider. - A description of the services (relating to retail payment activities, management of operational risk, or end-user fund safeguarding) that are performed by each third-party service provider. - An organisational structure demonstrating the applicant's retail payment activities interaction with each third-party service provider.
FINTRAC Declaration	<ul style="list-style-type: none"> - Indication as to whether the applicant is registered with FINTRAC - If applicable, existing registration number issued to applicant by FINTRAC and the date the registration was issued.
Place of Business in Canada	<ul style="list-style-type: none"> - Indication as to whether the applicant has a place of business in Canada.
Provincial Registration	<ul style="list-style-type: none"> - Indication as to whether the applicant is registered under provincial legislation respecting retail payment activities.

The Bank welcomes comments on all the foregoing prospective information requirements. With respect to values and volumes, and end users / interconnectedness, the Bank has specific questions relating to the feasibility of providing this information. At a later point, the Bank will consult on how to evaluate this information and how it should factor into the supervisory framework.

With respect to the information categories 'Values and Volumes' and 'End Users / Interconnectedness' in the table above, the Bank has the following questions:

- 2) Would you be able to report each of these measures in the form requested?
 - (a) Are there challenges to providing this information?
 - (b) Is there an alternative way of reporting this kind of information that would be possible or less resource intense?
- 3) Is there additional information the Bank could provide that would make the reporting process on these measures clearer?
- 4) Measures should only include retail payment activities that are within the scope of the RPAA. Measures should not include merchant specific instruments, e.g., merchant gift cards, EFTs made for the purpose of giving effect to an eligible financial contract, ATM withdrawals, EFTs performed using a system designated under PCSA, or internal transactions.
 - (a) Would you be able to include only retail payment activities within the scope of the RPAA?

(b) Are there particular measures where it's not feasible to exclude specific instruments?

5) Can measures of payment activities performed for end users in Canada and those outside of Canada be distinguished? A transaction would be performed for "end users in Canada" if one or more end users party to the transaction were 'in Canada' (See Registration Scope: Discussion guide #1).

(a) If this would pose challenges, are there particular measures where a distinction is not feasible?

6) The RPAA covers a range of payment functions (See Registration Scope: Discussion guide #1). Is it possible to report a single measure that covers total values for all functions that you perform, and one measure that covers total volumes?

(a) What challenges, if any, would you face in reporting this measure?

(b) What kind of guidance would you require from the Bank to avoid double counting?

In addition to the potential set of information outlined in the table above, there may also be information collected for the purpose of the Minister of Finance's national security review of an applicant. Policy work remains underway by the Department of Finance Canada on this topic.

PSP Registry

The RPAA will require the Bank to maintain a public registry of registered PSPs, and this registry will need to include information that is specified in Section 26 of the RPAA and in regulations made pursuant to that section. As described in the [Department of Finance Canada's 2017 consultation paper](#) on the framework, the PSP registry serves as a mechanism to identify new entrants and track existing PSPs in the sector, and can be a valuable tool for Canadians who may wish to know which PSPs are supervised and have had enforcement actions against them. Similarly, other domestic regulators operate registries, such as FINTRAC's registry of money service businesses.

At this time, the Bank considers that the following information could be published on the Bank's public registry of registered PSPs.

- PSP name and address (required by the RPAA)
- All trade names, operating names, and legal names
- Previous names
- Date of registration
- Registration status (e.g., registered, revoked, ceased, etc.)
- Telephone number
- Business website
- Payment functions performed
- Agents and mandataries that perform payment functions on behalf of the PSP

7) In your view, what information about registered PSPs should be included on the registry? Why is this information important to be shown on the registry?