



Retail Payments Advisory Committee – Annual Reporting & Information Requests

18 and 20 October 2021

This note is provided to support engagement on how the Bank of Canada (the “Bank”) will routinely collect information from retail payment service providers (PSPs) supervised under the [Retail Payment Activities Act \(RPAA\)](#).

It describes the Bank’s current thinking on:

- **Annual reporting** to the Bank (RPAA s. 21); and
- How **information requests** would be used to obtain information from PSPs on an ad hoc basis (RPAA ss. 59 & 60).

This note will be discussed at the October 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, annual reporting and information requests. Discussions of other forms of reporting to the Bank, such as significant change notifications and incident reporting, have been previously discussed with RPAC (see the [What we heard: Summary, September 2020](#)) and as such are omitted from this note.

While reading this note, stakeholders are encouraged to think about any issues or considerations the Bank should keep in mind as it develops its supervisory approach. There are questions included below 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 that will guide its work on the annual reporting and information request aspects of the supervisory framework.

This note presents preliminary Bank staff analysis and does not necessarily 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 as regulations are developed that will “prescribe” aspects of the annual reporting and information request process. The Department of Finance Canada will lead work to develop regulations contemplated by the RPAA. The regulation-making process is described in the Retail Payments Supervision section of the Bank’s [website](#).

Context

The RPAA provides the Bank with several legal mechanisms to obtain information from PSPs to support supervision. After registration, PSPs will be required to provide information to the Bank through several channels, including:

- **Annual report** – a PSP must submit a report on an annual basis to the Bank, at the prescribed time, that includes prescribed information.

- **Information request** – at the Bank’s request, a PSP must provide any information that is considered necessary for a purpose related to the Bank’s objects within the prescribed period.¹

This note sets out the Bank’s intended approach for annual reporting and information requests.

Annual Reporting

Intended Use of Annual Reporting

The annual reporting process will facilitate a risk-based supervisory approach by allowing the Bank to: (i) gather basic information about each PSP; and (ii) select and prioritize certain PSPs or issues based on risk for further review.

- **Gather information about PSPs:** The annual report is an opportunity for the Bank to receive an update on a PSP’s business model, its high-level operational risk and end-user fund safeguarding practices, and its general compliance with requirements. It is also an opportunity for the Bank to obtain up-to-date payments metrics information (e.g., payments values and volumes) to support risk-based supervision.
- **Select and prioritize PSPs or issues for supervisory purposes:** The annual report provides consistent information about all PSPs in scope. This provides an opportunity to identify: (i) PSPs that may warrant further review to determine if the PSP is aligned with regulatory requirements; or (ii) particular subject matter that should be reviewed to support the Bank’s understanding of trends and issues related to retail payment activities.

Keeping in mind the objectives above, the Bank intends to seek *high-level and structured* information from PSPs as part of the annual reporting process. Specifically, PSPs would be expected to respond to questions about their business, [operational risk](#), and [end-user fund safeguarding](#) practices in an electronic template provided by the Bank.² To the extent possible, questions would not require free-form text responses or submission of documents, but instead would require answers to yes/no questions, selections of options from a drop-down menu, etc. For example, a PSP could be asked about:

- Its retail payment activities;
- What method it uses to safeguard any end-user funds it holds;
- When it last updated its operational risk management and incident response framework;
- The operational risks it has identified, and systems, policies, procedures, processes, and controls it has put in place to address these risks;
- Its use of, and arrangements with, third-party service providers;
- Any incidents that it has experienced that have not already been reported;
- Its record keeping practices; or

¹ The Bank’s objects are described in s. 12 of the RPAA and include the supervision of PSPs for compliance with the RPAA, compliance promotion, and the monitoring and evaluating of trends and issues relating to retail payment activities.

² Consultation on this template, including the information the Bank will seek from PSPs, will take place at a later date.

- Certain metrics such as total number of end users or average values/volumes of payments.

Note that these are only categories of subjects on which questions could be based, but the actual questions would be more specific and structured, as described above.

This approach to annual reporting would allow the Bank to achieve its objectives and its approach to risk-based supervision while also alleviating unnecessary regulatory burden on PSPs by not requiring all compliance-related documentation be submitted. However, PSPs are still expected to always fully comply with their obligations under the RPAA.

The Bank would use information requests to seek more detailed information from PSPs throughout the year as required to further validate their compliance with the RPAA. Rather than require PSPs to submit all compliance-related information as part of its annual report, information requests allow the Bank to gather and review information from PSPs as needed for supervision. The Bank's intended use of information requests is described in more detail in the next section.

1. Do you have questions or concerns about the Bank's intended use of annual reports?

Prescribed Period for Annual Reporting

It is proposed that all PSPs would be required to submit the necessary annual reporting information from the previous calendar year to the Bank by 31 March. For example, information about 1 January, 2025 to 31 December, 2025 would need to be submitted to the Bank by 31 March 2026.

- The specific information included in the Bank's annual reporting template could vary over time. Because of this, the Bank intends to make the annual reporting template available to PSPs early each year, in advance of the submission deadline, to allow PSPs sufficient time to complete and submit their report.

2. Do you have concerns with the proposed timeline for annual reporting?

Information Request

Intended Use of Information Requests

Annual reporting gives the Bank uniform and consistent information about PSPs such that the Bank can prioritize its supervision. Then, once prioritized, the Bank will use information requests when it needs to examine a PSP's compliance. Information requests can also be used by the Bank if there is an immediate concern regarding a PSP's compliance.

For example, information requests could be used to:

- Initiate a more detailed review of a PSP following its annual reporting submission (e.g., the Bank may seek more specific information from a PSP, including copies of policies, procedures, etc.);
- Follow up on information previously received by the Bank from a PSP (e.g., from a significant change notice);
- Investigate a concern with a PSP's compliance; or
- Obtain any other information to support the Bank's objects under the RPAA.

In general, information requests will require PSPs to submit existing documentation (e.g., processes, procedures), or to answer questions about existing practices. PSPs will typically be asked to submit documentation that they should already have per RPAA requirements, rather than submit new documentation created specifically to respond to the request.

3. Do you have questions or concerns about the Bank’s intended use of information requests?

Prescribed Period for Information Requests

PSPs will need to respond to information requests made by the Bank within a specified period. **This period will be pre-determined and will be the same for all information requests regardless of their nature.**

Bank guidance would make clear what documentation PSPs are expected to have to comply with requirements (e.g., operational risk expectations, funds safeguarding expectations, etc.) Further, record-keeping requirements would clarify how PSPs are expected to maintain such documentation.

A shorter information request response period would facilitate the Bank’s supervision, particularly if there is an immediate issue or concern with a PSP. However, depending on the nature of the request, PSPs may require a longer timeframe to comply. The selected period would ideally balance the Bank’s ability to obtain information from PSPs in a timely manner while giving PSPs time to compile the requested information.

4. What is your preference for the deadline for responding to an information request: (i) shorter term (e.g., 5 days); (ii) medium term (e.g., 15 days); or (iii) longer term (e.g., 30 days)? Why is this your preference?
5. What challenges would you have, if any, with meeting the:
 - a. Shorter timeframe (e.g., 5 days)?
 - b. Medium-term timeframe (e.g., 15 days)?
 - c. Longer timeframe (e.g., 30 days)?
6. What other options, if any, should be considered for the timing of responding to an information request made by the Bank?