

# Reporting on the number and value of retail payment activities: industry outreach via RPAC

September 2023

The Bank of Canada is seeking written feedback from industry participants via RPAC to help inform the Bank's supervisory approach for the reporting of the number and value of retail payment activities. The objectives of this outreach are to:

- gain a better understanding of payment service providers' (PSPs') current practices for transaction reporting; and
- seek feedback on a potential approach for PSPs to report the number and value of retail payment activities.

Kindly email your responses to the questions in Part 1 and Part 2 of this document to [RPAC-CCPD@bank-banque-canada.ca](mailto:RPAC-CCPD@bank-banque-canada.ca) by **October 23, 2023**.

## Context

Under the *Retail Payment Activities Act* (RPAA), **PSPs will be required to report**—first at registration and then as part of their annual reporting—the number (volume) and value of electronic funds transfers (EFTs) for which they performed a retail payment activity. These requirements are detailed in sections 19 and 24 of the proposed *Retail Payment Activities Regulations*.

Section 2 of the RPAA defines:

- a **retail payment activity** as a payment function that is performed in relation to an electronic funds transfer that is made in the currency of Canada or another country or using a unit that meets prescribed criteria; and
- an **EFT** as a placement, transfer or withdrawal of funds by electronic means that is initiated by or on behalf of an individual or entity.

## Scope

All payment functions that fall under the RPAA in relation to an EFT include the:

- provision or maintenance of an account that, in relation to an EFT, is held on behalf of one or more end users;
- holding of funds on behalf of an end user until they are withdrawn by the end user or transferred to another individual or entity;
- initiation of an EFT at the request of an end user;
- authorization of an EFT or the transmission, reception or facilitation of an instruction in relation to an EFT; or
- provision of clearing or settlement services.

The RPAA has a geographic scope component (section 4 & 5 of the RPAA) and some entity-based and activity-based exclusions.

With respect to the latter, the RPAA does not apply in respect of the following activity-based exclusions, and PSPs are **not** required to report the EFTs related to the following:

- merchant instruments or instruments issued by a merchant or group of merchants, such as a shopping mall gift card, coffee card, transit cards (paragraph 6(a) of the RPAA);
- eligible financial contracts and prescribed transactions (paragraph 6(b) of the RPAA);
- automatic teller machine (ATM)-related transactions (paragraph 6(c) of the RPAA);
- securities-related transactions (RPAR Table of Provisions section 2);
- payment functions performed using a *Payment Clearing and Settlement Act*–designated payment system (section 7 of the RPAA);
  - For the purpose of this concept note, all payment functions performed in relation to a single EFT would have to be performed by the system operator using a designated system (e.g., Interac e-Transfer) for that EFT to be excluded from the reporting obligation. If one payment function is performed outside of the designated system (e.g., on a PSP's web interface), in relation to a single EFT, that EFT would be reportable by the PSP.
- internal transactions among affiliated entities (section 8 of the RPAA); or
- Governor's orders (section 11 of the RPAA)

## Part 1: Current practices in transaction reporting

### Questions

1. What are some common transaction flows, or transaction types, that your business performs or facilitates?
2. If applicable to your business, for an electronic funds transfer (EFT) that you would perform a retail payment function for, can you currently determine if it originates from foreign jurisdictions and if it is initiated on behalf of an end user in Canada?
3. Is there information about the value or volume that you are not able to view for certain transactions? For example, is the value of a transaction in a payment instruction sometimes encrypted or unavailable?
4. Do you use a payment system designated under section 4 of the *Payment Clearing and Settlement Act* (PCSA) as part of your retail payment activities and if so, which system<sup>1</sup>?
5. In relation to the various EFTs you perform, please identify which payment functions: i) you perform using a designated system; ii) you perform outside of the designated system; and iii) would be performed by the clearing house of the designated system.
6. What approximate % of your EFTs do you perform a payment function using a designated system?
7. If you often perform multiple payment functions for a single EFT, could you perform all these payment functions using a designated system?

<sup>1</sup> The PCSA designated systems currently include: Lynx, CDSX, CDCS, CLS Bank, SwapClear, ACSS and Interac e-Transfer.

8. If a client moves funds from their account that they have with you to another entity, do you count this as a single transaction or EFT in your current reporting practices?
  - i. Do you make a distinction if the funds are sent to a financial institution or to another entity?
  - ii. Do you make a distinction if the funds are sent to the same client but at another entity?
  - iii. Do you make a distinction if the funds are moved for withdrawal purposes?
9. If a client moves funds between two accounts that they have with you, do you include this as a single transaction or EFT in your current reporting practices? Are you aware that the funds are originating from the same client?
10. If a client moves funds from their account they hold with you to another client's account with you, do you count this as a single transaction or EFT in your current reporting practices?
11. If a transaction between a payer and payee involves several movements of funds, do you count this as a single transaction or EFT in your current reporting practices?
  - i. If you facilitate a transaction between a payer and a payee (e.g., a buyer purchasing a good from an online merchant) that involves several movements of funds (e.g., funds move between different entities before the transaction is settled on the merchant's bank account), do you track this as a single transaction or EFT or as separate transactions or EFTs?
12. How do you currently account for voided, cancelled or similar transactions in your current reporting practices?
  - i. If the void or cancellation happens on the same day or in the same reporting period as the original transaction, is it included in your transaction reporting? If so, how?
  - ii. If the void or cancellation happens on a different day or in a different reporting period than the original transaction, in what period is it accounted for? If it is accounted for in the period that it becomes known, is a second transaction reported that cancels out the original transaction in terms of value (thus the number of transactions would be two and a net value of zero), or is another approach taken?
13. How do you currently account for fully and partially refunded transactions in your current reporting practices?
  - i. If the refund happens on the same day or in the same reporting period as the original transaction, is it included in your transaction reporting? If so, how? (Please distinguish between full and partial refunds in your response.)
  - ii. If the refund happens on a different day or in a different reporting period than the original transaction, in what period is it accounted for? If it is accounted for in the period that it becomes known, is a second transaction reported that offsets the original transaction in terms of value (thus a full offset for a full refund and a partial offset for a partial refund), or is another approach taken?

## Part 2: Potential approach to reporting on the number and value of retail payment activities

PSPs will be required to report on the number (volume) and value of EFTs for which they performed a retail payment activity, including:

- the **initiation** of an EFT at the request of an end user
- the **authorization** of an EFT or the **transmission, reception or facilitation** of an instruction in relation to an EFT
- the provision of **clearing or settlement** services

Reporting will include all EFTs related to these retail payment activities, regardless of whether the PSP is interacting directly with the **end user** or with another PSP.

The following describes—at a high level—a potential approach to reporting the number and value of EFTs for which a PSP performed a retail payment activity:

- A PSP would be expected to report the number and dollar value of EFTs for which they performed a retail payment activity regardless of the number of payment functions it performed in relation to that EFT. For example:
  - If the PSP initiated and authorized a single EFT of \$100, it should report only one EFT with a value of \$100, even though the PSP performed two payment functions in relation to that EFT.
  - If the PSP facilitated an instruction for an EFT of \$100 and provided clearing and settlement services for that EFT, it should report only one EFT with a value of \$100, even though the PSP performed several payment functions in relation to that EFT.
- A PSP would be expected to report a sum value and number of all the individual EFTs for which they performed a retail payment activity over the specified period. For example:
  - If the PSP received instructions from the same end user or payer (or from multiple end users or payers) to initiate 10 individual EFTs for one end user or payee (or for multiple end users or payees) over the reporting period, the PSP should report 10 for the number of EFTs for that period.
  - If the PSP processes one batch transaction, which contains 10 individual transactions, it should report 10 for the number of EFTs.
  - If the PSP performs a retail payment activity in relation to EFTs for recurring payments, each payment should be counted as an individual EFT.

### Questions

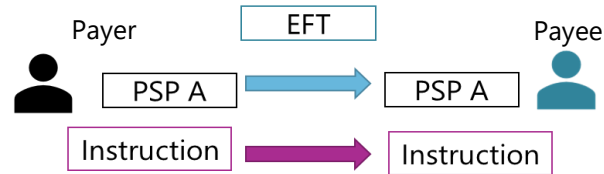
14. Based on the information provided, is this approach consistent with your organization's current reporting practices? If not, how does it differ?
15. Based on the information provided, what challenges would you face in implementing this approach?
16. Are the stylized illustrative examples provided below useful in helping to further understand the approach?

## Examples

The following are stylized illustrative examples of the approach described above.

### 1. Transaction from end user at PSP A to another end user at the same PSP.

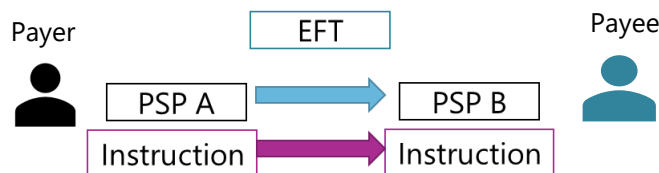
An end user (payer) holds an account at PSP A and sends \$100 from that account to another end user (payee) that also holds an account at PSP A. In this example, PSP A must report \$100 and 1 EFT.



	PSP to report
	PSP A
<b>Value</b>	\$100
<b>Number</b>	1

### 2. Transaction from end user at PSP A to end user at PSP B.

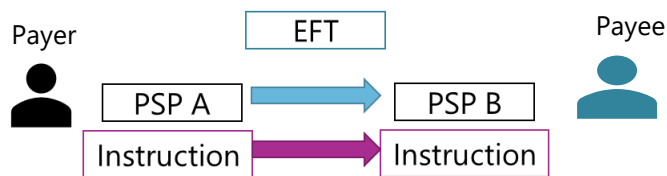
An end user (payer) holds an account at PSP A and sends \$100 from that account to another end user (payee) that holds an account at PSP B. In this example, PSP A must report \$100 and 1 EFT, and PSP B must report \$100 and 1 EFT.



	PSP to report	
	PSP A	PSP B
<b>Value</b>	\$100	\$100
<b>Number</b>	1	1

### 3. Transaction from end user at PSP A to end user at an exempted PSP B.

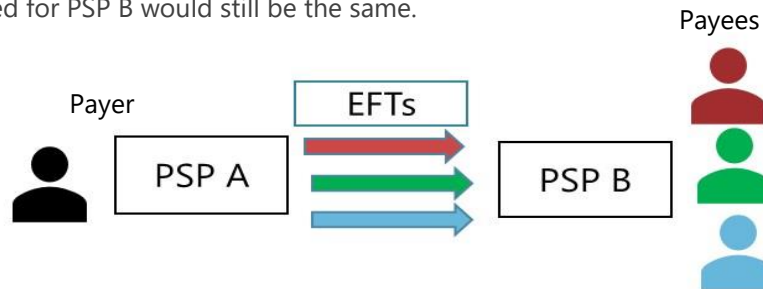
An end user (payer) holds an account at PSP A and sends \$100 from that account to another end user (payee) that holds an account at PSP B, which is exempt from the RPA. In this example, PSP A must report \$100 and 1 EFT, and PSP B does not report anything because it is an entity that is exempt from the RPA.



	PSP to report	
	PSP A	PSP B
<b>Value</b>	\$100	N/A
<b>Number</b>	1	N/A

**4. Transaction from end user at PSP A to multiple end users at PSP B.**

An end user (payer) holds an account at PSP A and sends \$100 from that account to three end users (payees) that hold accounts at PSP B. In this example, PSP A must report \$300 and 3 EFTs, and PSP B must report \$300 and 3 EFTs. Note that if the end users at PSP B were all the same end user, the reporting required for PSP B would still be the same.



	PSP to report	
	PSP A	PSP B
<b>Value</b>	\$300	\$300
<b>Number</b>	3	3

**5. Transaction from end user at PSP A to end user at PSP B (involving three PSPs)**

End user 1 (payer) has funds in their account at PSP A and instructs PSP A to transfer \$100 to end user 2's (payee's) account at PSP B. PSP A initiates an EFT for end user 1 and then sends the transaction to PSP C for authorization. After authorization, the funds are sent to the account at PSP B. In this example, PSP A, PSP B and PSP C must each report \$100 and 1 EFT. For simplicity, this example does not consider the payments chain *after* the authorization.



	PSP to report		
	PSP A	PSP B	PSP C
<b>Value</b>	\$100	\$100	\$100
<b>Number</b>	1	1	1

**6. Domestic and foreign PSPs with an end user in Canada**

End user 1 (payer) is buying a good worth \$100 from end user 2 (payee), using PSP A as the point-of-sale interface to launch an EFT for the payment of the good. Payment instructions then flow through various

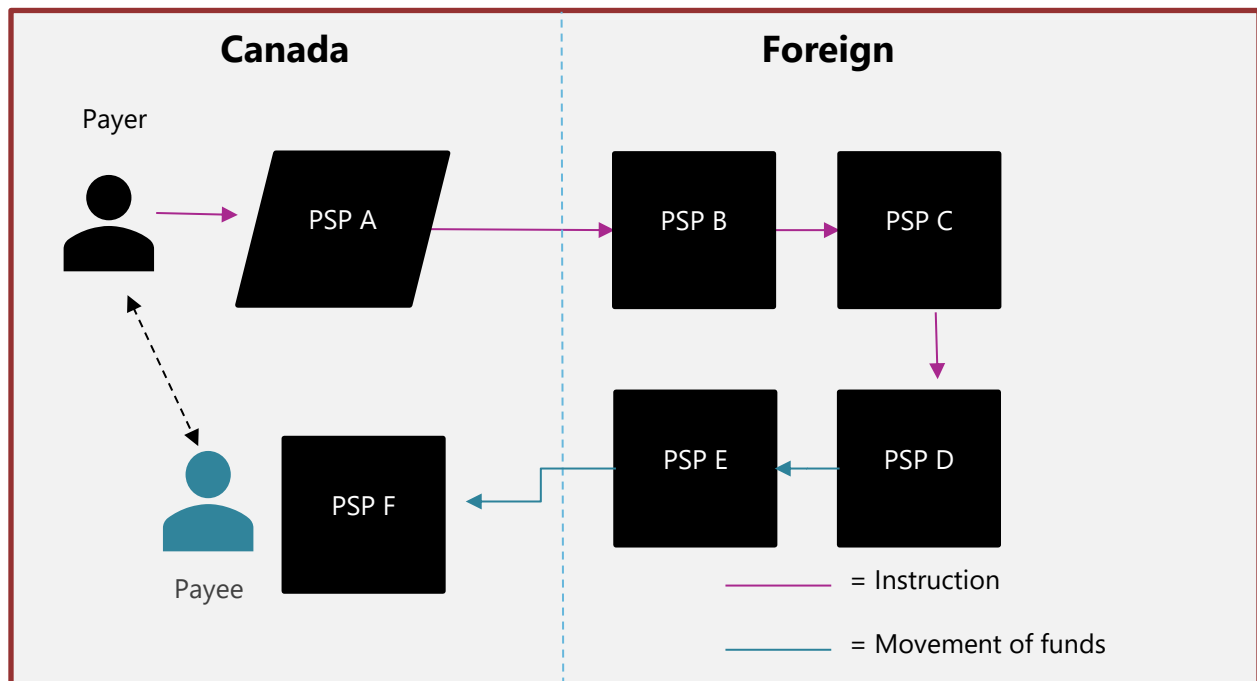
PSPs in the payment chain to eventually allow for the subsequent movement of funds until the funds reach the payee and the transaction settles.

The key underlying assumptions in this example are:

- i. PSP A and PSP F are in Canada and are considered domestic PSPs
- ii. PSP B and PSP E are foreign PSPs directing retail payment activities to entities or individuals in Canada
- iii. PSP C and PSP D are not directing any retail payment activities to entities or individuals in Canada

Given these assumptions, only PSP B and PSP E are considered foreign PSPs that fall under the scope of the RPAA (consistent with section 5 of the RPAA).

As a result, PSP A, PSP B, PSP E and PSP F each need to report \$100 and 1 EFT. PSP C and PSP D do not need to report anything.



	PSP to report					
	PSP A	PSP B	PSP C	PSP D	PSP E	PSP F
<b>Value</b>	\$100	\$100	N/A	N/A	\$100	\$100
<b>Number</b>	1	1	N/A	N/A	1	1