

Guideline consultation

The *Retail Payment Activities Act* (RPAA) and the *Retail Payment Activities Regulations* (RPAR) require payment service providers to meet specific risk management and notification requirements. The RPAA also provides the Bank of Canada with the authority to issue guidelines that set out the manner in which the Bank expects the Act to be applied.

The Bank's guidelines outline the standards and practices that payment service providers are expected to incorporate into their business operations to support their compliance with the RPAA and RPAR. The Bank may conduct consultations on its guidelines to gather input and feedback on these supervisory expectations.

The Bank is seeking your feedback to inform the final version of this guideline. We are specifically interested in obtaining feedback on aspects of the draft guideline that could be:

- clarified
- challenging to implement

We also welcome any additional comments related to the standards and practices outlined in the draft guideline. Please note, the Bank is *not* seeking feedback on regulatory concepts in the RPAA or RPAR, as both the legislation and the regulations have been finalized by the Government of Canada and the Department of Finance Canada.

The Bank expects to publish a final version of this guideline in the second half of 2024.

Submitting your comments

Please submit your comments to RPSconsultationsSPD@bank-banque-canada.ca by May 21, 2024. In order for the Bank to have sufficient time to review and analyze the feedback and finalize the guideline, any comments submitted after this date may not be considered. An anonymized summary of comments will accompany the final published guidelines. During the consultation period, the Bank may engage directly with respondents to obtain more information.

To provide comments on the other draft guidelines currently open for consultation, please visit the RPS Guideline Consultation page: <https://www.bankofcanada.ca/rps-consultation/>.

The Bank is subject to the Access to Information Act (AIA). The AIA provides that information that is shown to be confidential or could be shown to prejudice the competitive position of a third party must be protected. Should the Bank receive a request for information supplied by your organization, the Bank will maintain the confidentiality of the information to the extent possible, by law.



Notice of significant change or new activity

Type of publication: Draft supervisory guideline for consultation

Learn how the Bank of Canada expects registered payment service providers to meet the notification requirements set out in section 22 of the [Retail Payment Activities Act](#) (RPAA) and section 20 of the [Retail Payment Activities Regulations](#) (RPAR).

1. About the notification requirements

- 1.1 Payment service providers (PSPs) are required to notify the Bank of Canada before they make a significant change to the way they perform their retail payment activities or before they perform a new retail payment activity. This notification must be submitted to the Bank at least five business days before the change comes into effect or before the PSP performs a new retail payment activity.
- 1.2 The reason for this notification is to allow the Bank to understand how the change would affect a PSP's management of operational risks or safeguarding of end-user funds.

To clarify:

- According to subsection 20(2) of the RPAR, a “business day means a business day of the Bank.”
- 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.” See also the [Criteria for registering payment service providers](#).

What to expect

- 1.3 The Bank will not approve or deny changes to the PSP's retail payment activities. The PSP is responsible for continuing to meet its obligations under the RPAA during and after changes to its retail payment activities. If, as part of a subsequent review, the Bank identifies compliance gaps related to the changes, the PSP will be expected to address such gaps to ensure that it continues to fulfill its obligations.

2. About significant change

- 2.1 Subsection 22(2) of the RPAA states that a change in the way a PSP performs a retail payment activity “is significant if it could reasonably be expected to have a material impact on operational risks or the manner in which end-user funds are safeguarded.”

Examples for interpretation

2.2 Changes to the way a retail payment activity is performed that could qualify as significant include:

- 2.2.1 making certain changes related to the safeguarding of end-user funds, such as:
 - a change to the means of safeguarding end-user funds
 - a change to the safeguarding account provider
 - a change to the insurance or guarantee provider
 - the opening or closing of a safeguarding account
 - substantive changes to the terms of the account agreement
 - substantive changes to the terms of the insurance or guarantee agreement
- 2.2.2 starting to outsource or ceasing to outsource an activity related to the provision of a retail payment activity
- 2.2.3 entering, amending or terminating an agreement with a third-party service provider for the provision of services related to retail payment activities if entering, amending or terminating that agreement could reasonably be expected to have a material impact on operational risk or the manner in which end-user funds are safeguarded
- 2.2.4 starting to use any or ceasing to use all agents or mandataries for the provision of retail payment activities
- 2.2.5 changing a technology or adopting a new technology for the provision of retail payment activities that could reasonably be expected to have a material impact on operational risk or the manner in which end-user funds are safeguarded
- 2.2.6 moving or expanding operations of a retail payment activity to a new geographic location
- 2.2.7 expanding retail payment activities to a new market segment or offering a new product
- 2.2.8 ceasing to perform a retail payment activity, including:
 - when a PSP previously performed one retail payment activity and no longer performs that retail payment activity
 - when a PSP previously performed more than one retail payment activity and ceases to perform one retail payment activity while continuing to perform other retail payment activities
- 2.2.9 changing the degree of participation in a payments system (for example, from only exchanging payments to exchanging and settling)
- 2.2.10 participating in a payments system
- 2.2.11 changing the organizational structure or the level of staffing in a way that could reasonably be expected to have a material impact on operational risk or the manner in which end-user funds are safeguarded

Changes of an administrative nature would not generally be significant to the way a payment service provider (PSP) performs a retail payment activity. For example, updating of contact information in an incident response plan would not have a material impact on a PSP's operational risks and would therefore not be a significant change. However, according to sections 59 and 60 of the RPAA, when there are changes or anticipated changes to certain information that a PSP provided during the registration process, the PSP must notify the Bank of the change in information.

3. About new retail payment activity

3.1 According to section 2 of the RPAA, a PSP is considered to perform a new retail payment activity if it begins performing a payment function "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."

3.1.1 As set out in the RPAA, "payment function means:

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

4. Information required for the notice

4.1 All notices about a significant change or new activity must be submitted to the Bank using the significant change or new activity notice form in PSP Connect.

4.2 A PSP's significant change or new activity notice must include the following information:

4.2.1 the PSP's contact information, including:

- the name of the PSP
- the name and contact details (for example, phone number and email address) of an individual who is a primary contact for the PSP and who would be able to clarify information about the significant change or new activity, if the Bank requires it

4.2.2 the context for the change or new activity, including:

- a summary of what is changing or a description of the new activity
- the reasons for the change or new activity

4.2.3 the date(s) when the change is to be implemented or when the new activity is to be first performed

Draft supervisory guideline for consultation

4.2.4 an assessment of the impact of the change or new activity on the PSP's management of operational risk and on the manner in which end-user funds are safeguarded, including:

- the PSP's self-assessment of the risks it will face during the change in activity or commencement of new activity and a description of how these risks have been or will be managed, such as by:
 - adding temporary resources
 - simultaneously operating existing and new or changed assets, business processes, systems, controls, etc.
 - increasing the frequency or depth of testing
- the PSP's self-assessment of the risks it will face after the change in activity or commencement of new activity and a description of how these risks have been or will be managed, such as by:
 - adding or reallocating resources, roles or responsibilities
 - implementing new or changing existing assets, business processes, systems, policies, controls, etc.
 - adding or amending response and recovery plans, testing methodologies or plans, and agreements with third-party service providers, agents or mandataries
 - making arrangements with account or insurance or guarantee providers

4.2.5 whether the change or new activity has been approved by a senior officer (if the PSP has a senior officer)

4.3 A PSP must submit a list of the PSP's documents, related to its payment activities, that have been amended or created to reflect the significant change or new activity. The PSP must also provide a summary of the changes in those documents. The list of documents and summary of changes must include any amendments that have been made to the PSP's frameworks for operational risk or safeguarding end-user funds because of the significant change or new activity. Examples of such amendments include but are not limited to:

- changes to the PSP's plan to return funds to end users in the event of insolvency,
- changed or new arrangements with third-party service providers, agents or mandataries.

Payment service providers may include any other information they consider relevant for the Bank of Canada to understand the nature of the change in the significant change or new activity notice form.