



# Notice of significant change or new activity

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This supervisory guideline sets out the Bank of Canada’s supervisory expectations for payment service providers (PSPs) that are subject to the [Retail Payment Activities Act](#) (RPAA) with regard to their obligation to notify the Bank before they perform a new retail payment activity or before they make a significant change in the way they perform a retail payment activity as set out in section 22 of the RPAA and section 20 of the [Retail Payment Activities Regulations](#) (RPAR).

For terminology about retail payment supervision, refer to the [glossary](#).

## 1. About the notification requirements

- 1.1 PSPs are required to notify the Bank before they make a significant change to the way they perform their retail payment activities or before they perform a new retail payment activity. A change 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. This notice 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. The significant change and new activity notification requirements only apply in respect of retail payment activities that are captured under the RPAA.
- 1.2 The notice will allow the Bank to understand how the significant change or new activity will impact the PSP’s management of operational risks and/or safeguarding of end-user funds.
- 1.3 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](#).
  - PSPs will generally not be notified at the conclusion of the Bank’s review of a significant change or new activity notice. The Bank may initiate a supervisory assessment after its review of a notice. If compliance gaps related to the significant change or new activity are identified as a result of the assessment, PSPs will be informed of the gaps. PSPs will be expected to address the gaps to ensure they continue to fulfill their obligations under the RPAA. PSPs are responsible for continuing to meet their obligations under the RPAA during and after changes to their retail payment activities.

## 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.”
- 2.2 A change can materially impact a PSP’s operational risks if it:
- changes a PSP’s operational risk
  - exposes the PSP to a new category of operational risk

## 3. Examples of significant change

- 3.1 This section lists examples of significant changes in the way a retail payment activity is performed that could have a material impact on a PSP’s operational risk or the manner in which it safeguards end-user funds. The examples are not exhaustive. PSPs should apply their discretion to determine whether a change will materially impact a PSP’s operational risk or safeguarding of end-user funds.
- 3.2 Examples of changes the Bank expects will have a material impact on a PSP’s operational risk or the manner in which it safeguards end-user funds include, but are not limited to:
- a change to the means of safeguarding end-user funds, for example, transitioning from safeguarding end-user funds in trust to safeguarding by insurance or guarantee
  - a change to the safeguarding account provider where the account provider is outside Canada
  - a change to the insurance or guarantee provider where the provider is outside Canada
  - substantive changes to the terms of the trust account
  - substantive changes to the terms of the insurance or guarantee agreement
  - moving or expanding operations of a retail payment activity to a geographic location outside Canada
  - 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
  - starting to participate or ceasing to participate in a payment system
- 3.3 The following changes could be significant changes based on the PSP’s circumstances. The PSP should submit a notice if they determine that these changes can reasonably be expected to have a material impact on operational risk or the manner in which end-user funds are safeguarded:
- starting to outsource or ceasing to outsource an activity related to the provision of a retail payment activity
  - entering, amending or terminating an agreement with a third-party service provider for the provision of services related to retail payment activities
  - starting to use any or ceasing to use all agents or mandataries for the provision of retail payment activities
  - changing a technology or adopting a new technology, including switching or adopting cloud service providers, for the provision of retail payment activities

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- expanding retail payment activities to new customer segments that the PSP has not previously served, or offering a new product
- changing the degree of participation in a payment system (for example, from only exchanging payments to exchanging and settling)
- changing the organizational structure or the level of staffing of those parts of the PSP relevant to operational risk or end-user fund safeguarding

3.4 PSPs should apply their discretion to determine whether a change materially impacts a PSP's operational risk or safeguarding of end-user funds. Routine administrative changes or modifications are unlikely to be considered significant changes when they concern corporate business services that do not impact the provision of retail payment services, such as payroll or other support functions.

- 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. The process to notify the Bank of changes to registration information is separate from the process used to notify the Bank of a significant change.

## 4. About new retail payment activity

4.1 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."

4.2 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

4.3 PSPs that plan on performing new retail payment activities as defined above must notify the Bank.

## 5. Information required for the notice

5.1 All notices about a significant change or new activity that will have a material impact on the PSP's operational risk or the manner in which end-user funds are safeguarded, together with supporting materials, must be submitted to the Bank using the significant change or new activity notice form in PSP Connect.

5.2 The PSP is responsible for determining the appropriate level of detail that is required in the notice. If additional information is required, the Bank will follow up with the PSP.

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

5.3.1 the PSP's contact information, including:

- the name of the PSP

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- 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

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

- a summary of what is changing or a description of the new activity
- the reason(s) for the change or new activity
- the date(s) when the change is to be implemented or when the new activity is to be first performed

5.3.3 an assessment of the effect of the change or new activity on the PSP's operational risks and/or 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

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

5.4 A PSP must submit a list of the PSP's documents, related to its retail 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 approach to the safeguarding of end-user funds
- changed or new arrangements with third-party service providers, agents or mandataries

5.5 PSPs can include any additional information that they consider relevant for the Bank at the end of the notice form.