

How ready are you for Payments Modernization?

Case studies on how Canadian Businesses
can prepare for Modernization



**PAYMENTS
CANADA**



EY

Building a better
working world

FOREWORD

This series of case studies focuses on identifying how Canadian businesses can derive financial benefits by taking advantage of changes introduced by a modernized Canadian payments infrastructure. It explores the degree of readiness of various Canadian companies and their thinking on how to take advantage of upcoming changes. As every business is unique, these case studies provide varying points of view from different industry sectors and organizational realities to help inform the broader business community on how to prepare for, and take advantage of, the benefits that modernization may introduce.

This report builds on Payments Canada and EY's 2018 report "*How can payments modernization benefit Canadian businesses? Evaluating the cost of payments processing*", which identified five main sources of business payment inefficiencies that arise because of limitations in today's infrastructure. These drivers are illustrated in Figure 1 and are further explored through these case studies. The potential benefit ranges derived from improved payment processing capabilities have been estimated for each case study organization and are based on the five year discounted cash flow model developed to support the 2018 report.

Figure 1:
Business payment inefficiencies



THE TIME TO ACT IS NOW!

With a third batch exchange now active and with the real-time rail, including data-rich messaging standard ISO 20022 to come, Canadian companies should consider what benefits can be unlocked for their operations through these changes.

Payments Modernization in Canada is expected to offer Canadian organizations new solutions that can help address these business inefficiencies including:

- Enhancements to the automated funds transfer stream, including a third batch payment exchange to help improve payments processing needs in Western Canada.
- Adoption of a uniform payment messaging standard that can accommodate rich remittance information to support improved matching of payments to source and incorporate additional data dimensions in the payment message.
- Creation of an open and scalable infrastructure, replacing the Large Value Transfer System (LVTS) and the Automated Clearing Settlement System (ACSS), to help maintain Canada's competitive position in the global payments ecosystem.
- Development of a real-time payments rail to deliver immediate funds availability and finality of settlement to recipients.

Expected outcomes include:

- Faster and more streamlined payments
- Richer data
- Enhanced usability and convenience for consumers
- Interoperable payment systems on an international scale
- Greater security

Key modernization concepts



ISO 20022

The standard governing payment messaging structure is considered an essential component to a modern payments infrastructure. The enhanced payment information, such as invoice data, can enable solutions for automated processing, optimize payment tracking and enhance global interoperability. Canada will be joining the more than 30 other countries planning to adopt the ISO 20022 payment messaging standard.



BATCH PAYMENTS

A form of electronic funds transfer that allows users to group multiple payments together rather than processing individually. The majority of batch payments in Canada are moved through Automated Funds Transfer (AFT); enhancing AFT capability by improving its speed and adding more exchange windows is included in Payments Canada's Modernization agenda.



REAL-TIME PAYMENTS

Instantaneous payments that respond to the need for payments mechanisms to improve consumers and businesses' speed of access to funds. Canada's real-time rail will be introduced as a new payment system to be used alongside AFT and wire.

For more information on these and other modernization concepts, please visit payments.ca

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