



REBOUND AND GROW

CANADIAN PAYMENT METHODS AND TRENDS REPORT 2022

Canadian Payment Methods and Trends 2022

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The views expressed in this report are solely those of the authors at the time of publication and should not be attributed to any of the organizations listed.

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RESEARCH AT A GLANCE

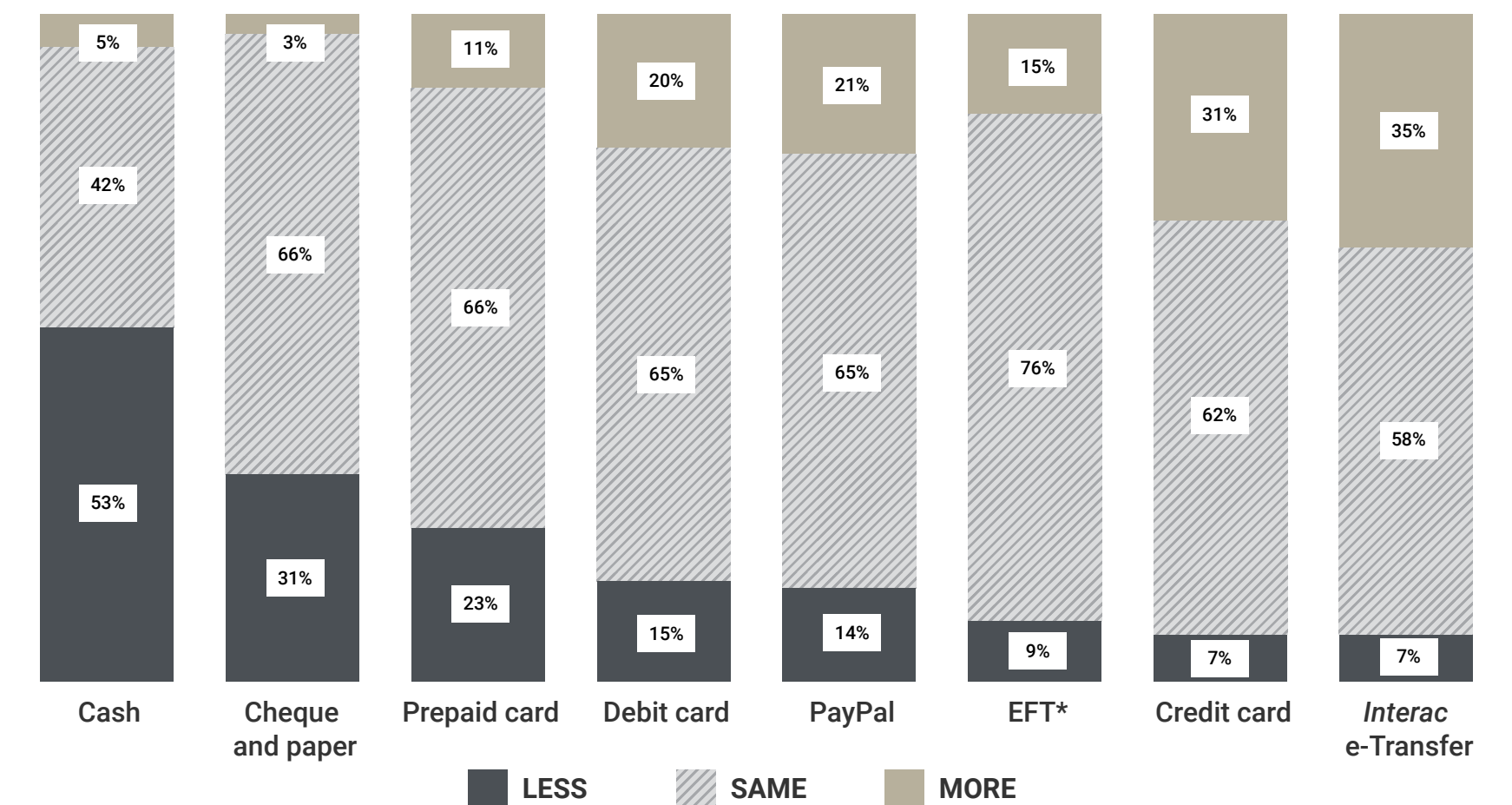
Ongoing COVID-19 pandemic ushers in “new normal,” which includes the continued acceleration of digital payment usage.

The lingering effects of the COVID-19 pandemic impacted the Canadian payment industry in 2021, but not as severely as it did the previous year. The easing of public health measures and lifting of public restrictions throughout the country sparked a resurgence in economic activity brought on by pent-up consumer demand. However, the emergence of the Delta variant and the third COVID-19 wave in May, followed by the rapid spread of the Omicron variant towards the end of 2021, slowed the pace of economic recovery.

These combined events led to peaks and troughs in payment transaction volumes and values throughout the year. Overall, the total payment market in Canada rebounded and grew in 2021 due to progress made in the country’s economic recovery from the pandemic. The most significant impact in the past year has been the ushering in of the “new normal,” which included the ongoing acceleration of digital payment usage. This is also reflected in the continued decline of cash usage. Cash transaction volume fell to fourth position overall in 2020 for the first time and stayed there in 2021.

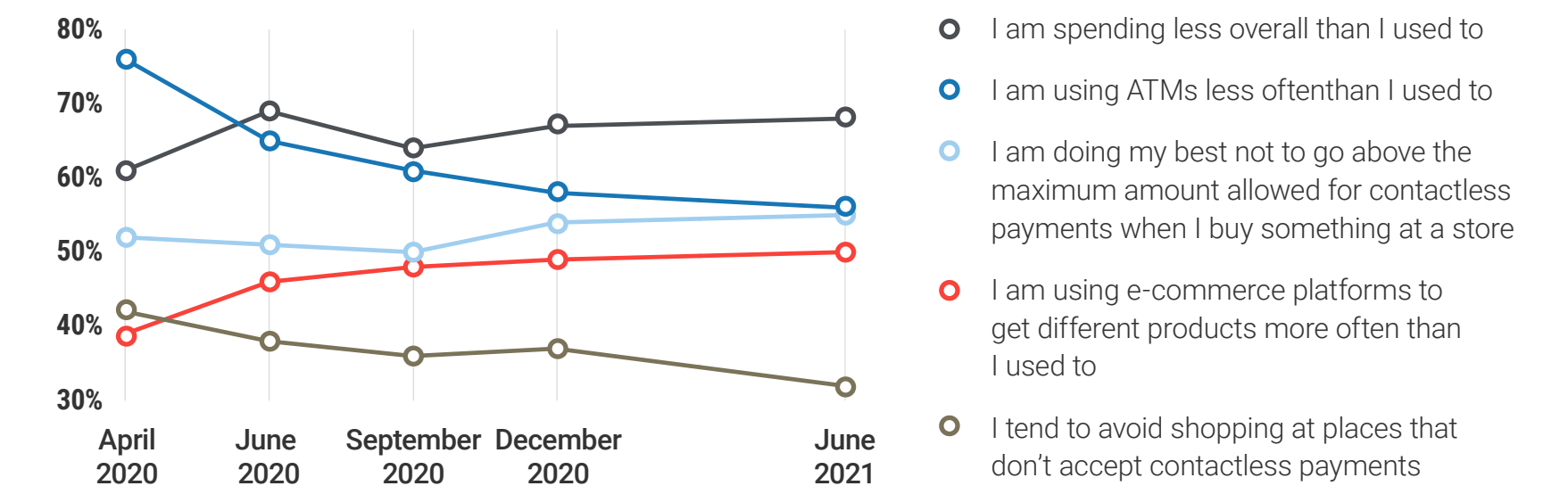
THE COVID-19 PANDEMIC HAS USHERED IN THE NEW DIGITAL PAYMENT NORM. IT INCLUDES THE ONGOING ACCELERATION OF DIGITAL AND CONTACTLESS PAYMENTS USAGE AND E-COMMERCE PURCHASES.

WHICH OF THE FOLLOWING MOST APPLY TO YOU? SINCE THE COVID-19 PANDEMIC STARTED, I AM USING...



*Electronic Funds Transfer refers to direct deposits or pre-authorized debits from deposit accounts

HOW MUCH DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS? SINCE THE COVID-19 PANDEMIC STARTED...



KEY THEMES



Contactless and digital payments continued to be popular among Canadians.

Many Canadians who initially switched to contactless payments for their day-to-day spending as a result of COVID-19 continued using these methods, whether due to continuing apprehensions about COVID-19 transmission or new preference for contactless payments.

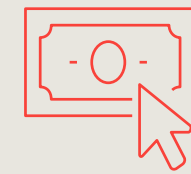
- ▶ Forty-three per cent of Canadians agree the COVID-19 pandemic has changed their payment preferences to digital and contactless for the long-term, unchanged from last year.¹
- ▶ Since the COVID-19 pandemic started, 43 per cent of Canadians tapped their credit card and 42 per cent tapped their debit card when paying at a store, unchanged from last year.²
- ▶ Mobile payments volume and value grew by 17 per cent and 31 per cent respectively from 2020.³
- ▶ Since the pandemic started, 45 per cent of Canadians who used their mobile wallet to make store purchases said they were using it more than they used to.⁴

¹ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

² Ibid.

³ TSI Canadian Payments Forecast, 2022.

⁴ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.



E-commerce continued to appeal to Canadians in spite of returning to in-store shopping.

Many Canadians continued using and preferred e-commerce for their purchases, even after public health measures lifted and stores reopened in 2021.

- ▶ The value of e-commerce sales transactions between January and March were double that for the same period in 2020 and grew by five per cent year-over-year.⁵
- ▶ One-half of Canadians (50 per cent) reported using e-commerce platforms to get different products more often than prior to the start of the pandemic, up from 48 per cent in 2020.⁶
- ▶ Thirty-three per cent of Canadians reported using delivery services (e.g., UberEats, Foodora, Instacart) more often than prior to the start of the pandemic, up from 29 per cent in 2020.⁷

⁵ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220218/dq220218a-cansim-eng.htm>.

⁶ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

⁷ Ibid.



The shift towards online purchasing increased consumer demand for more digital payment options and a frictionless payment experience.

More businesses built an e-commerce presence or explored ways to make the online purchase experience easier and more seamless in 2021. Similarly, consumers became more comfortable with payment innovations that made their online purchase experience more frictionless.

- ▶ Fourteen per cent of businesses reported investing in a specific digital platform for the business, up from 11 per cent a year ago.⁸
- ▶ Buy now, pay later (BNPL) is beginning to take hold and is being offered by more providers and merchants in Canada. Just under one in 10 merchants (eight per cent) accept BNPL and 48 per cent of merchants not offering BNPL are interested in doing so.⁹
- ▶ Fourteen per cent of businesses reported accepting payments via PayPal more often, while seven per cent reported using a QR code to interact with their customers and suppliers (e.g., directing customers to a landing page/website or social media pages, providing discounts and promotional offers, reading a menu in a contactless way at restaurants), up from five per cent in 2020.¹⁰
- ▶ Almost one quarter of Canadians (22 per cent) are comfortable with making a payment using QR code at a merchant website if the option was available.¹¹
- ▶ Thirty-seven per cent of consumers are comfortable with using fingerprint, facial or voice recognition to authenticate a payment transaction at a merchant website.¹²

⁸ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

⁹ RFI, BNPL Merchant Report 2021, October 2021. For more, see feature on **buy now pay later** within this report.

¹⁰ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

¹¹ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹² Ibid.



EXECUTIVE SUMMARY

The Canadian economy depends on the exchange of hundreds of billions of dollars each day. Payments Canada operates Canada's clearing and settlement infrastructure, and defines the processes and rules required to support this flow of funds.

Each year, Payments Canada provides an overview of the payment trends observed in Canada through the Canadian Payment Methods and Trends (CPMT) report. It provides a holistic view of Canada's payment market with expert insights on key drivers, emerging issues, and relevant developments within the Canadian and international payment ecosystems. This overview of payment trends and behaviour illustrates Canadians' use of different payment methods and demonstrates shifts in payment behaviours.

Overall, a total of 19.7 billion transactions valued at \$10.8 trillion were conducted in 2021. The total Canadian payment market grew by four per cent in volume and 15 per cent in value from 2020, rebounding from the previous year's transaction volume and value declines. Volume growth returned to pre-pandemic levels in 2021, while year-over-year value growth was considerably higher in 2021 compared to 2019, driven by gains from online transfer and electronic funds transfer (EFT).¹³ (See **Figure 1: Total payments transaction volume and value**).

¹³ Year-over-year transaction volume growth: 2021 (+2%), 2019 (+3%). Year-over-year transaction value growth: 2021 (+15%), 2019 (+1%).

2021 was a transitional year marked by an ebb and flow in consumer spending, with economic activity returning to its pre-pandemic levels in Q4 for the first time since the start of the pandemic.¹⁴ As a whole, the total payment market in Canada rebounded and grew in 2021 due to progress made in the country's economic recovery from the pandemic.

Public health measures put in place across the country in December 2020 had a strong impact in the first quarter of 2021. With the easing of these measures throughout February, economic activity rebounded in March.¹⁵ Since the majority of restrictions were lifted, households were not just returning to their normal spending patterns, but spending above pre-pandemic levels. Pent-up demand resulted in record-breaking payment activity happening between March and April 2021.¹⁶ However, payment activity slowed down in May 2021 when the third wave of COVID-19 hit, again leading to a dip in consumption and spending.¹⁷ This slowdown continued into Q3 due to ongoing challenges of the Delta wave and the implementation of vaccination passports. But payment activity spiked again to reach its highest value and volume levels in Q4, despite the rapid spread of the Omicron variant.¹⁸

Overall, many payment trends remained consistent in 2021 compared to five years ago. From a payment volume perspective, credit and debit cards continued to dominate the number of transactions, and usage grew for both. Cash use continued its decline, accelerated by the pandemic, but still sat in the fourth position overall in terms of payment transaction volume. Cheques accounted for a small fraction of total payment volume and continued their gradual decline. Online transfers also accounted for a small fraction of total payment volume but, unlike

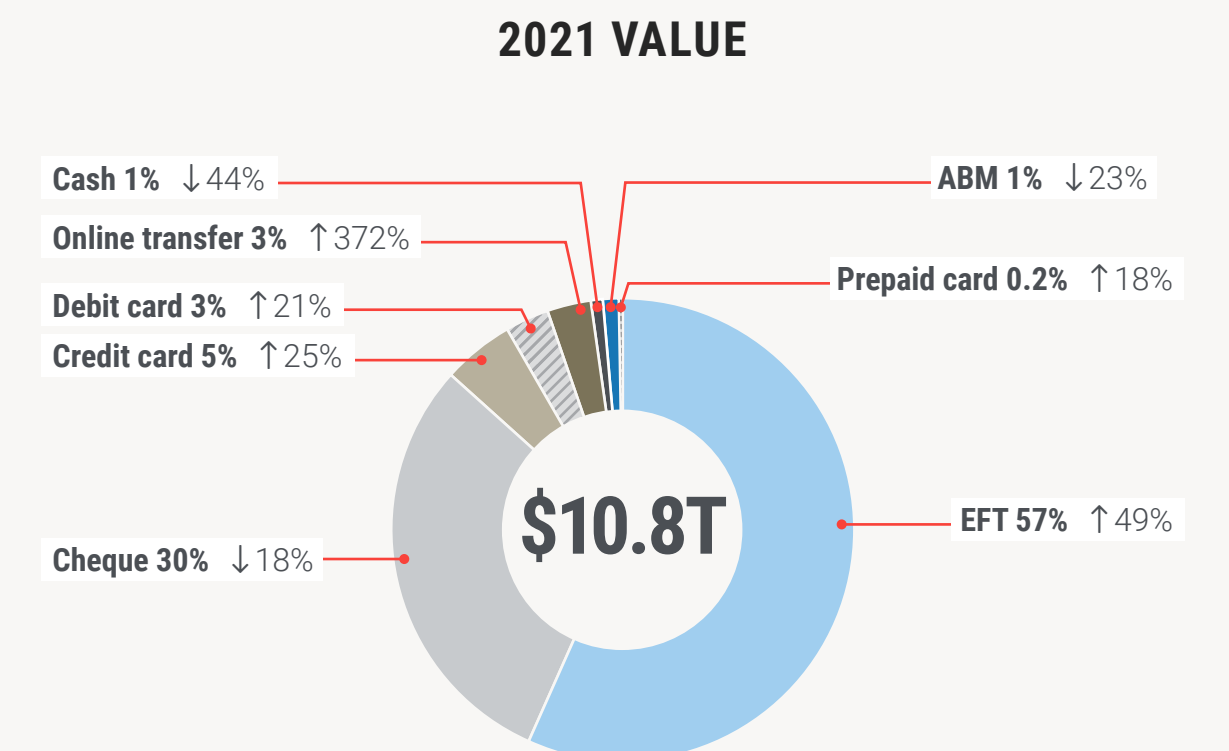
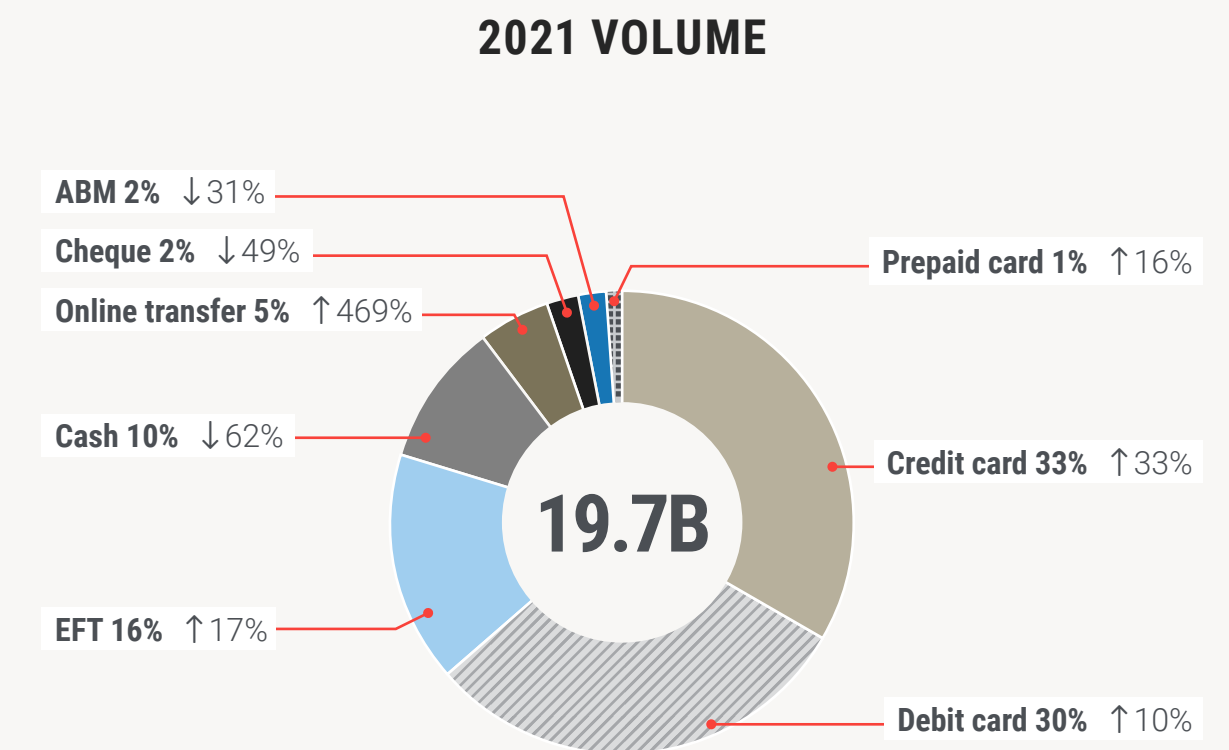
cheque, continued to show strong growth (469 per cent increase compared to five years ago).¹⁹

From a payment value perspective, EFT and cheque continued to dominate the share of transaction value, representing a combined 87 per cent of total value. EFT value surged compared to a year ago (up 21 per cent), helped by a return of automated funds transfer²⁰ (AFT) credit value to its historical level.²¹ Over the past five-year period, EFT has increased in value by 49 per cent. Online transfer leads all payment types with a 372 per cent increase in transaction value over the past five years.²² For the first time ever, online transfer value surpassed that of debit cards in 2021 (\$325 billion versus \$273 billion).

A key narrative in the 2020 CPMT report was the rise of contactless payments driven by the COVID-19 pandemic. Many Canadians who switched to contactless payments for their day-to-day spending as a result of the pandemic continued to use this method in 2021, whether due to continuing apprehensions about COVID-19 transmission or a new preference for contactless payments. In our research on the impacts of the pandemic on consumer payments behaviour, 43 per cent of Canadians agreed that the COVID-19 pandemic changed their payment preferences to digital and contactless for the long-term.²³

Finally, despite the gradual return to in-store shopping, e-commerce continued to be a viable and appealing option for consumers. E-commerce sales accounted for 6.2 per cent of retail sales in 2021, a modest increase from a share of 6.1 per cent in 2020.²⁴ During 2021, 58 per cent of Canadian consumers made at least one online purchase in the previous month.²⁵

FIGURE 1: TOTAL PAYMENTS TRANSACTION VOLUME AND VALUE



↑/↓ arrows indicate growth/decline over the past five years

¹⁴ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220201/dq220201a-eng.htm>.

¹⁵ Ibid.

¹⁶ Payments Canada. Payment Economics – 2021 Q2.

¹⁷ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/210730/dq210730a-eng.htm>.

¹⁸ For more, see: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/finance/ca-en-fy22q3-economicoutlook-vf-aoda.pdf>.

¹⁹ ACSS 2021 Transaction Data.

²⁰ Automated funds transfer (AFT) is either a pre-authorized credit or debit payment.

²¹ ACSS 2021 Transaction Data.

²² Ibid.

²³ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

²⁴ Statistics Canada. Retail trade, December 2021. For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220218/dq220218a-eng.htm>.

²⁵ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

Paper

Paper payment instruments include cash and cheque and other paper items. Total paper transaction volume continued its overall declining trend, decreasing by nine per cent from 2020. On the other hand, total paper transaction value rebounded from last year, growing by eight per cent in 2021 (see **Table 1: Paper year-over-year growth**).

The year-over-year decline in cheque transaction volume was not as steep as last year (down by six per cent in 2021 versus 26 per cent in 2020). The increase in total paper transaction value in 2021 was mainly attributed to a year-over-year gain in cheque transaction value of seven per cent. In turn, this increase was driven by a seven per cent increase in commercial cheque value from last year. Cash transaction value also increased by 14 per cent from last year, mainly driven by a demand for large-denomination notes fueled by the precautionary motives of Canadians throughout the pandemic.²⁶

TABLE 1: PAPER YEAR-OVER-YEAR GROWTH

Volume (in millions of transactions)

| Payment method | 2020 | 2021 | Change % |
|---------------------|--------------|--------------|------------|
| Cash | 2,247 | 2,038 | -9% |
| Cheque (total) | 432 | 404 | -6% |
| Cheque (personal) | 125 | 140 | +12% |
| Cheque (commercial) | 307 | 264 | -14% |
| ABM | 423 | 391 | -8% |
| Total | 3,102 | 2,833 | -9% |

Value (in millions of dollars)

| Payment method | 2020 | 2021 | Change % |
|---------------------|------------------|------------------|------------|
| Cash | 51,347 | 58,415 | +14% |
| Cheque (total) | 3,056,371 | 3,281,753 | +7% |
| Cheque (personal) | 47,000 | 51,200 | +9% |
| Cheque (commercial) | 3,009,371 | 3,230,553 | +7% |
| ABM | 44,826 | 55,152 | +23% |
| Total | 3,152,544 | 3,395,320 | +8% |

²⁶ Cash in circulation remained high throughout 2021, driven mainly by demand for large-denomination notes. Cash holdings reported by Canadians remained elevated, with a median value of \$260 in August 2021. For more, see: **Cash and COVID-19: What Happened in 2021**.

Card

Card payments include credit, debit and prepaid cards. Overall, total card transaction volume and value rebounded from the decline a year ago, driven by gains in credit and debit cards (see **Table 2: Card year-over-year growth**).

Credit cards continued to lead debit cards in terms of overall volume, and accounted for 67 per cent of overall card value. However, debit cards continued to lead credit cards in terms of contactless volume. Debit card contactless transaction volume grew by 17 per cent from last year compared to six per cent for credit card contactless volume. Debit card contactless transaction value also grew more than credit card contactless transaction value year-over-year (26 per cent versus 14 per cent). In spite of this, the total value of credit card contactless transactions was greater than that of debit card contactless transactions in 2021, but the gap has been narrowing over the past five-year period.

TABLE 2: CARD YEAR-OVER-YEAR GROWTH

Volume (in millions of transactions)

| Payment method | 2020 | 2021 | Change % |
|-------------------------------------|---------------|---------------|------------|
| Debit card (total) | 5,699 | 5,964 | +5% |
| Debit card (contactless only) | 3,302 | 3,849 | +17% |
| Credit card (total) | 6,223 | 6,572 | +6% |
| Credit card (contactless only) | 2,774 | 2,929 | +6% |
| Credit card (remote ²⁷) | 622 | 657 | +7% |
| Prepaid | 302 | 294 | -3% |
| Total | 12,224 | 12,830 | +5% |

Value (in millions of dollars)

| Payment method | 2020 | 2021 | Change % |
|--------------------------------|----------------|----------------|------------|
| Debit card (total) | 251,731 | 272,819 | +8% |
| Debit card (contactless only) | 74,605 | 93,977 | +26% |
| Credit card (total) | 564,210 | 591,301 | +5% |
| Credit card (contactless only) | 200,095 | 229,023 | +14% |
| Credit card (remote) | 56,421 | 59,130 | +5% |
| Prepaid | 17,900 | 17,633 | -1% |
| Total | 838,841 | 881,753 | +5% |

²⁷ Credit card remote transactions include all transactions that are not made at physical (brick-and-mortar) and virtual (online) payee locations. Instead, payors use financial institutions or payment service providers as intermediaries that move funds to intended payees through their services (i.e., for bill payments and ongoing subscriptions).

Electronic

Electronic payments include electronic funds transfer (EFT) and online transfer. EFT includes direct deposit, electronic remittance, pre-authorized debit and other online bill payment transactions. Online transfer includes electronic transactions initiated through online services and providers, which are either pre-funded or linked to deposit accounts at financial institutions (e.g., *Interac e-Transfer* and *PayPal*).

In 2021, total electronic payment transaction volume and value experienced stronger year-over-year growth compared to the previous year. EFT transaction value grew 21 per cent year-over-year helped by the return of AFT credit value to its historical level. Online transfer continued its strong run of double-digit growth in transaction volume and value (see **Table 3: Electronic year-over-year growth**).

TABLE 3: ELECTRONIC YEAR-OVER-YEAR GROWTH

Volume (in millions of transactions)

| Payment method | 2020 | 2021 | Change % |
|-----------------|--------------|--------------|-------------|
| EFT | 2,908 | 3,081 | +6% |
| Online transfer | 801 | 1,007 | +26% |
| Total | 3,709 | 4,088 | +10% |

Value (in millions of dollars)

| Payment method | 2020 | 2021 | Change % |
|-----------------|------------------|------------------|-------------|
| EFT | 5,147,089 | 6,225,588 | +21% |
| Online transfer | 249,123 | 324,790 | +30% |
| Total | 5,396,212 | 6,550,378 | +21% |

METHODOLOGY

Payments Canada works closely with payment service providers, payment consultants and researchers to compile a comprehensive 2021 data set and provide insights into how Canadian consumers and businesses pay.

The general methodology involves a combination of industry data and market research.²⁸ Industry data is derived primarily from the Automated Clearing Settlement System (ACSS) data, industry payments card use data and experts.²⁹ Data is also collected from payment service providers and payment networks on an aggregated annual basis, based on actual payment instrument use data. Market survey research is used to fill data gaps and provide detailed insights.

The report compares data collected from 2021 with data from previous reports, allowing for the ongoing analysis of trends. In the following sections, 2016 and 2021 data are compared to understand how payment trends have evolved.³⁰ Year-over-year comparisons (2020 to 2021) are also considered.

In this year's report, the historical cash transaction volume and value estimates from 2011 to 2021 have been recast using data obtained from the Bank of Canada for greater accuracy. Therefore, the payment transaction volume and value estimates for both total payments and cash will differ from previous reports.³¹

Securities and derivatives transactions and trades are excluded from the research.³² Payment types that have not reached significant volumes are also excluded. This includes payment methods that are less than one per cent of total transaction volume or value (such as digital currencies).³³ Finally, Large Value Transfer System (LVTS)/Lynx transactions are excluded³⁴ as they would warrant a form of double counting as the payment volume and value information in this report are derived from the clearing data.

²⁸ Appendix II includes details on methodology and assumptions, including consumer and business survey market research methodologies.

²⁹ Experts refer to quantitative and qualitative market research sources. The CPMT also includes value transactions that may not specifically be used for the exchange of goods and services. For instance, ABM transactions are used to obtain cash, where the cash is used for actual payments. Both types of transactions fall within the scope of this research, as each forms an important element of the Canadian payments market. Payments Canada recognizes how this might pose as a form of double counting. However, the ABM transaction value accounted for 1.6 per cent of total paper payments value in 2021 so the impact is negligible.

³⁰ To view older reports, please see:

Canadian Payment Methods and Trends: 2021. Payments Canada Discussion Paper No. 11. September 2021.

Canadian Payment Methods and Trends: 2020. Payments Canada Discussion Paper No. 10. October 2020.

Canadian Payment Methods and Trends: 2019. Payments Canada Discussion Paper No. 9. December 2019.

Please note that certain methodologies for data collection were updated over the past two years when directly comparing figures from older CPMT reports to figures presented here. Also, total contactless volume and value, and total credit card contactless volume and value figures are based on estimates provided in the 2022 TSI Payment Forecast report.

³¹ For more details, see **Appendix II**. Note: Figures 1, A1, A2, A3, A4, A5, A7 and Tables 1, 4, and 5 are based upon cash usage data from the Bank of Canada.

³² When a payment is made to purchase investments, the transaction will be counted among the appropriate payments segments. When derivatives, securities and other assets are exchanged and no payment is required or results, the exchange of value is not included.

³³ Only 10 per cent of adult Canadians reported using a digital currency at least once in 2021. For more information about consumer familiarity and likelihood of use, refer to the **digital currencies** section in the report.

³⁴ For analysis on LVTS, please see Payments Canada's **Annual Report**.



THE PAYMENT LANDSCAPE

The continuation of the COVID-19 pandemic ushered in the “new normal,” which includes the ongoing acceleration of digital payment usage, awareness of digital currencies and the continued exploration of central bank digital currencies (CBDCs) in Canada and around the world. The increasing digitization of payments and greater adoption of online commerce has increased awareness of the importance of digital identity (ID) and authentication for payments.³⁵

The economic impact of the pandemic also increased cross-border payment flows and innovations. As well, 2021 was the year Payments Canada launched Lynx, its new high-value payment system. Lynx processes large value, time-critical payments with real-time settlement finality and provides enhanced cyber security and resiliency capabilities. Payments Canada is also building the Real-Time Rail (RTR), Canada's first real-time payment system. On the regulatory side, the Retail Payment Activities Act (RPAA) was enacted in June 2021 and seeks to implement the previously announced federal retail payments oversight framework. Progress on the implementation of open banking in Canada continued with the Government of Canada's Advisory Committee on Open Banking releasing their final report in August 2021 and announcing a new open banking lead.

³⁵ Digital identity (digital ID) allows you to securely verify your identity online, in a way that protects your personal information. It is an extension of your physical ID documents, while offering you greater privacy and control over how your personal data is used and shared.

Although awareness of digital currencies, such as Bitcoin, is high among the Canadian population, most Canadians (90 per cent) never use digital currencies. This may be due to a lack of understanding on how to access and use digital currencies as well as perceptions around their safety and security.³⁶ Although most Canadians do not use digital currencies, the interest of those who are active in the space is mainly tied to speculative investing and early adoption of new and innovative technologies.³⁷ Regarding CBDCs, while a few jurisdictions have either launched or are piloting some form of CBDC, the Bank of Canada has not announced plans to launch one anytime soon. It would consider issuing a digital currency under two scenarios:

1. The use of bank notes was declining to a point where Canadians no longer had the option of using them for a wide range of transactions; or
2. One or more alternative digital currencies—likely issued by private sector entities—were to become widely used as an alternative to the Canadian dollar as a method of payment, store of value and unit of account.³⁸

As payments become more digitized, the need for a streamlined and secure means of identification has strengthened the need for digital ID. Young Canadians (18 – 34 age group) represent a blend of millennials and older Gen Zers who are digital natives, with about one-in-four Canadians belonging to this group.³⁹ They

³⁶ Leger/Payments Canada 2021 Consumer Payments Tracker Survey.

³⁷ For more, see: <https://www.capterra.ca/blog/2409/crypto-trends-in-canada>.

³⁸ For more, see <https://www.bankofcanada.ca/2020/02/contingency-planning-central-bank-digital-currency>.

³⁹ For more, see: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501>.



have a greater positive sentiment towards digital ID, with 49 per cent finding the idea appealing. For young Canadians, reducing the risk of identity theft or fraud is the most important consideration in deciding to use a digital ID.⁴⁰ Digital ID in Canada often manifests itself in decentralized formats, functioning as workarounds for the lack of a standardized digital ID framework that is universally understood and accepted across Canada. While a standardized approach to digital ID has yet to be adopted, actors in the space, such as Interac Corp.,

⁴⁰ Leger/Payments Canada 2021 Consumer Payments Tracker Survey.

have made recent acquisitions of digital identification and authentication service providers. This suggests they are looking to play a strong role in the future of digital ID in Canada.⁴¹ The Digital Identification and Authentication Council of Canada (DIACC), which Interac Corp. is a member of, has also released a framework for a viable and interoperable digital ID. The release of the Pan-Canadian Trust Framework™ (PCTF) continues to evolve the digital ID space in Canada.

⁴¹ For more, see <https://www.interac.ca/en/content/news/interac-corp-acquires-exclusive-rights-to-securekey-digital-id-services-for-canada/> & <https://www.interac.ca/en/content/news/interac-corp-acquires-ottawa-based-2keys/>.

An increase in the value of fast, safe and efficient cross-border payments was driven by a world increasingly pushed online due to the economic impacts of the COVID-19 pandemic. Enhancements to more efficient cross-border payments continue with the G20 push through the Financial Services Board (FSB) and Committee on Payments and Market Infrastructures (CPMI) efforts. For more please see our feature on **cross-border payments**.

Lynx is Canada's high-value payment system. It is an electronic wire system that facilitates the irrevocable transfer of payments in Canadian dollars between Canadian financial institutions across the country. The journey towards a new high-value payment system began in mid-2015 with consultations with more than 100 organizations within the Canadian and global payments ecosystem. In the summer of 2021, Lynx replaced the Large Value Transfer System (LVTS) as Canada's high-value payment system. A second release is planned for late 2022 that will introduce the ISO 20022 messaging standard. This standard will support data-rich payments and will support Canadian financial institutions in meeting SWIFT ISO 20022 global requirements in November 2022.

In 2021, Payments Canada selected Interac Corp. as the exchange solution provider for the RTR. To enable the settlement of RTR payments in real-time, the exchange solution will interface with the clearing and settlement solution, which is being provided by Mastercard's Vocalink. Significant progress has been made on the RTR initiative. To learn more about the Real-Time Rail (RTR), please visit payments.ca.

The Department of Finance and the Bank of Canada are working closely to develop new regulations for a framework supervising retail payment activities under the RPAA. Once the framework is in place, the Bank of Canada will supervise payment service providers (e.g., card networks, payment processors, digital wallets) that perform electronic payment functions. These new regulations will ensure payment services continue to be reliable and safe for Canadians, and will enable the payment ecosystem to develop faster, cheaper and more convenient payment methods.⁴²

In 2018, the Government of Canada appointed an advisory committee on open banking to analyze the implications and benefits of open banking in Canada and the best implementation approach.

A final report was released in August 2021 based on the findings of the committee that outlines six key consumer outcomes to provide the basis for an open banking system in Canada:

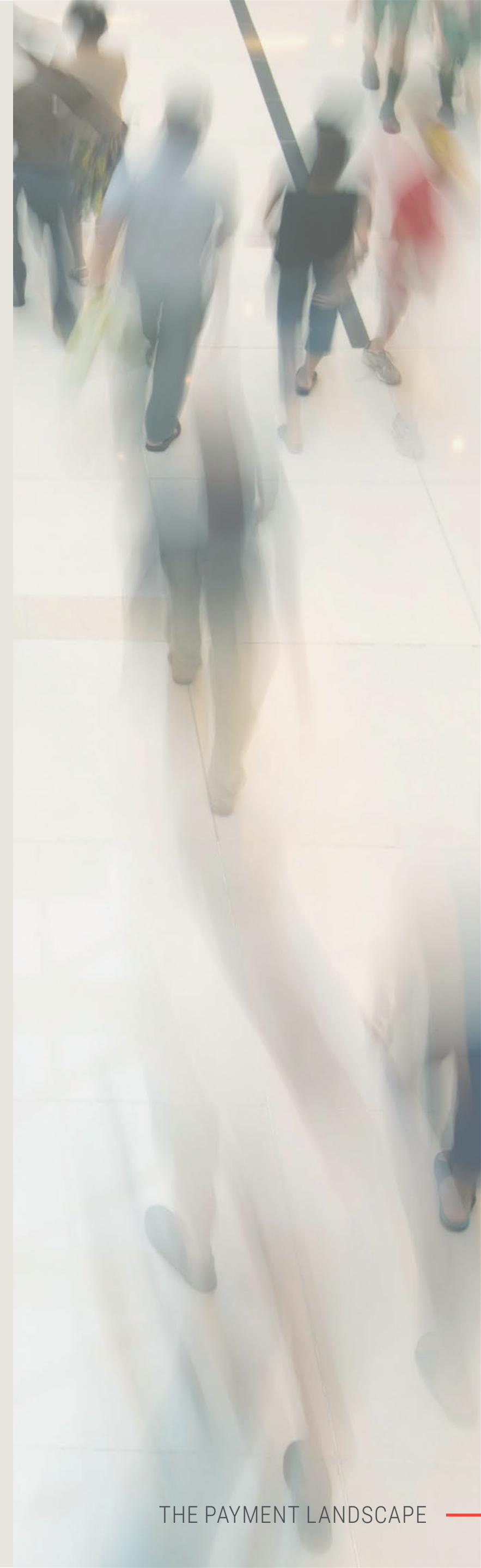
1. Consumer data is protected;
2. Consumers are in control of their data;
3. Consumers receive access to a wider range of useful, competitive and consumer friendly financial services;
4. Consumers have reliable, consistent access to services;
5. Consumers have recourse when issues arise; and
6. Consumers benefit from consistent protection and market conduct standards.⁴³

In March 2022, consultant Abraham Tachjian was announced as the federal government's new lead on open banking. His mandate will be to consult with the industry, regulators and consumer representatives. The objective of these consultations is to design and implement the key elements of an open banking framework.⁴⁴

⁴² For more, see: <https://www.canada.ca/en/department-finance/corporate/laws-regulations/forward-regulatory-plan/retail-payment-activities-act-framework.html>.

⁴³ For more, see <https://www.canada.ca/en/department-finance/programs/consultations/2021/final-report-advisory-committee-open-banking.html>.

⁴⁴ For more, see: <https://www.canada.ca/en/department-finance/news/2022/03/government-moves-forward-with-open-banking-and-names-a-lead.html>.



“BUY NOW, PAY LATER —IS IT HERE TO STAY?”

By Stephen Yun

Buy now, pay later (BNPL) is a popular payment option offered by retail merchants to their customers for both online and in-store purchases around the world.

In Canada, BNPL services are gradually beginning to emerge with the potential for rapid adoption and growth. Currently, close to one-in-five Canadians (17 per cent) are aware of, but have not used BNPL services for their purchase, while another 14 per cent of Canadians have.⁴⁵ Among those who do not use it, three-in-ten indicate they would likely start using a BNPL service.⁴⁶ BNPL is estimated to grow 55 per cent annually in Canada, with its value increasing from \$3.2 billion CAD in 2020 to upwards of \$22.6 billion CAD by 2028.⁴⁷

What is BNPL?

The BNPL service is offered as part of the purchase by the merchant, who partners with a BNPL provider. BNPL is a form of short-term loan in which consumers take immediate possession of their purchases and pay for them through a series of installment payments. These payments are structured so the payment amounts are equal and the payment due dates follow a pre-set schedule, with the first payment due at checkout.⁴⁸ The BNPL model is provided by two key players: the merchant and the BNPL provider (usually a fintech, financial institution or global payments network provider).

BNPL providers collect their revenue mainly from the fees they charge the merchants that accept the loans as a customer payment option. Additional revenue is obtained from late fees or penalties charged to consumers who do not fulfill the repayment terms, although most BNPL providers do not charge interest on late payments.⁴⁹

How can BNPL be of value to Canadian consumers?

BNPL provides various benefits to consumers:

1. It makes it easier to budget spending because the payment streams are predictable (following a set amount and time frame), and some BNPL apps come with budgeting tools.
2. It is a convenient way to pay. The BNPL payment option is embedded in the e-commerce platform and consumer application and approval usually takes a few minutes to complete (compared to days for new credit card approvals).
3. It makes it possible for consumers to afford to pay for purchases upfront. For Canadians who either do not have access to traditional forms of credit (e.g., credit card, personal line of credit), or have lower-incomes, BNPL allows them to make purchases that otherwise would not fit their budget.⁵⁰

Canadians cite interest avoidance, payment deferral and reducing credit card usage as other reasons for using BNPL services. Another key benefit of BNPL services is it enables consumers to immediately take possession of a product as they are still paying for it. This is an important benefit for consumers making larger value purchases and particularly for those who do not have a credit card, line of credit or other short-term lending facility.⁵¹

⁴⁵ RFI, BNPL Consumer Report 2021, September 2021.

⁴⁶ Ibid.

⁴⁷ Research and Markets, Canada Buy Now Pay Later Market Report 2021, November 12, 2021.

⁴⁸ J. Alcazar and T. Bradford, The Appeal and Proliferation of Buy Now, Pay Later: Consumer and Merchant Perspectives, Federal Reserve Bank of Kansas City, November 10, 2021.

⁴⁹ Ibid.

⁵⁰ RFI, BNPL Consumer Report 2021, September 2021.

⁵¹ Ibid.

How can BNPL be of value to Canadian businesses?

The primary benefit to merchants offering BNPL to their customers is greater overall sales revenue. This outcome is achieved in three ways:

1. Consumers are more likely to make a purchase.
2. Consumers are likely to spend more money per shopping visit.
3. Consumers are likely shopping more regularly.⁵²

Another benefit of BNPL services is that merchants are able to settle sales quickly, and it may “eliminate a merchant’s chargeback and fraud risks because BNPL providers assume those risks.”⁵³ As BNPL services increase in popularity, particularly among younger consumers, merchants may gain or maintain a competitive advantage by offering BNPL as a payment option, because consumers may choose to only shop at merchants that offer BNPL.

Merchants can also benefit from having BNPL providers directly market their product offers to consumers. Furthermore, BNPL services can be offered by merchants to provide their customers with a seamless checkout experience via direct API integration capabilities. Customers can apply and receive loan approval almost immediately, and then pay for the first installment easily and quickly during checkout.⁵⁴ This has resulted in a growing number of merchants, including established retailers such as Amazon and Walmart in the U.S., to offer BNPL as a payment option for both online and in-store purchases.⁵⁵

⁵² A. Mull, *Why Is There Financing For Everything Now?*, The Atlantic, December 15, 2020.

⁵³ J. Alcazar and T. Bradford, *The Appeal and Proliferation of Buy Now, Pay Later: Consumer and Merchant Perspectives*, Federal Reserve Bank of Kansas City, November 10, 2021.

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*



Is BNPL here to stay?

BNPL use is expected to grow as an alternative payment method because of its compelling customer value proposition — it is easier to qualify for BNPL loans than traditional forms of credit; the ease and speed of set-up and activation; the ability to pay using BNPL at many popular merchant partners; and it is easier for budget spending.

In other more established BNPL markets around the world (e.g., Australia, U.S.), there have been calls for more regulatory intervention by the government, as well as action on the part of BNPL providers to address the rising tide of younger BNPL users accumulating more debt, and being worse off financially. For instance, the U.S. Consumer Financial Protection Bureau has encouraged BNPL providers to take steps to ensure users are adequately informed of the risks BNPL presents.⁵⁶ Experian, a consumer credit reporting company, recently launched a BNPL credit bureau in spring 2022, providing U.S. lenders with real-time data on customer spending and loan repayments without impacting credit scores. It aims to drive financial inclusion while ensuring responsible lending.⁵⁷ While in Australia, a group of eight of the largest BNPL companies signed up to a voluntary code of practice. “The code sets out the minimum standards the companies need to meet, including a cap on late fees, required credit checks on transactions greater than \$2,000, and a minimum age of 18 years for customers to be able to use the services.”⁵⁸

The lessons learned in these markets provide useful insights and can help inform how BNPL providers, merchants and policy-makers in Canada approach implementing BNPL services for the benefit of all. A call for more regulatory intervention to protect Canadians against the risks associated with BNPL use needs to be balanced against the potential impact it will have on stifling payment innovation and market competition. BNPL providers, merchants, and policy-makers have the power and responsibility to create a sensible and fair approach for approving BNPL loans to Canadians based upon their ability to repay with minimal hardship.

⁵⁶ J. Alcazar and T. Bradford, The Appeal and Proliferation of Buy Now, Pay Later: Consumer and Merchant Perspectives, Federal Reserve Bank of Kansas City, November 10, 2021.

⁵⁷ For more, see: https://www.finextra.com/newsarticle/40124/experian-to-debut-buy-now-pay-later-bureau?utm_medium=dailynewsletter&utm_source=2022-4-27&member=125479.

⁵⁸ Canstar, Buy Now Pay Later Services, 2021. <https://www.canstar.com.au/buy-now-pay-later/>.



How BNPL is disrupting the Canadian payment market

The 2021 CPMT report mentioned the emergence of BNPL lenders that integrate themselves into e-commerce platforms, offering payment installment plans online and in-app as an option at checkout, which is shifting credit card transaction volumes. In Canada, the BNPL market is dominated by PayBright, Afterpay, Sezzle and Affirm.⁵⁹ During the past year, the BNPL space saw increased activity with the entrance of more competitors, including global payments network providers and banks, and significant vendor partnership deals between big tech companies and established BNPL firms, which is further disrupting the Canadian payment market.

Visa launched a BNPL program called Visa Installments allowing users to pay for purchases in interest-free installments on their credit cards.⁶⁰ Several banks also

launched their own BNPL or quasi-BNPL product. For example, Scotiabank launched its Scotia SelectPay program, which provides customers with the option to convert purchases made on their credit card into smaller installment payments (which works similarly to CIBC's Pace It).⁶¹ RBC introduced PayPlan which offers its customers a pay-over-time option for big-ticket purchases at online retailers throughout Canada.⁶²

There were also some noteworthy merchant partnerships formed between big tech companies and BNPL providers last year. For example, Apple partnered with PayBright to launch a BNPL program for Apple products in Canada. Through this program, Canadian customers are able to buy iPhones, iPads and MacBooks, and pay for those purchases over 12 to 24 months.⁶³

⁵⁹ RFI, BNPL Consumer Report 2021, September 2021.

⁶⁰ For more, see: https://www.visa.ca/en_CA/products/consumer-installments.html.

⁶¹ For more, see: <https://www.scotiabank.com/ca/en/personal/credit-cards/selectpay.html>.

⁶² For more, see: <https://www.rbcroyalbank.com/personal-loans/payplan-for-consumers.html>.

⁶³ For more, see: <https://www.apple.com/ca/shop/browse/financing>.

FINDINGS

The sections below build on several different data streams to provide a comprehensive view of consumer and business payments behaviour conducted via paper, cards and electronic payment methods.

Five-year Canadian payment transaction trends

Canadians made 19.7 billion payment transactions, totaling \$10.8 trillion in 2021. Since 2016, the total payments market has decreased by an average of less than one per cent per year in payments volume, and increased by an average of three per cent per year in payments value.

When you consider the five-year compound annual growth rate for total payments volume pre-COVID-19 (2014 to 2019) was one per cent, compared to the post COVID-19 five-year CAGR (2016 to 2021) of -0.4 per cent, it is clear the pandemic had a considerable impact on average payments volume growth. While the pandemic has led to a decrease in overall payment volume, the opposite is true for total payment value which rose by 19 per cent between 2016 and 2021 compared to 17 per cent during pre-COVID-19 (2014 to 2019) (see **Table 4: Five-year Canadian payment transaction trends**). The increase in total payment value was linked to the rise in the national inflation rate in 2021, which rose by 3.4 per cent on an annual average basis, the fastest pace since 1991 (+5.6%), following an increase of 0.7 per cent in 2020. This outcome was due to widespread global supply chain constraints combined with pent-up consumer demand as the economy reopened.⁶⁴

⁶⁴ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220119/dq220119b-eng.htm>.

TABLE 4: FIVE-YEAR CANADIAN PAYMENT TRANSACTION TRENDS

| Payment method | Total volume 2016 | | Total volume 2021 | | Change from 2016 % |
|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | In millions | % of total volume | In millions | % of total volume | |
| Cheque | 799 | 4% | 404 | 2% | -49% |
| Debit card | 5,436 | 27% | 5,964 | 30% | 10% |
| ABM | 563 | 3% | 391 | 2% | -31% |
| Prepaid card | 253 | 1% | 294 | 1% | 16% |
| EFT | 2,631 | 13% | 3,081 | 16% | 17% |
| Credit card | 4,954 | 24% | 6,572 | 33% | 33% |
| Online transfer | 177 | 1% | 1,007 | 5% | 469% |
| Cash | 5,369 | 27% | 2,038 | 10% | -62% |
| Total | 20,181 | 100% | 19,750 | 100% | -2% |

| Payment method | Total value 2016 | | Total value 2021 | | Change from 2016 % |
|-----------------|------------------|------------------|-------------------|------------------|--------------------|
| | \$ millions | % of total value | \$ millions | % of total value | |
| Cheque | 3,991,849 | 44% | 3,281,753 | 30% | -18% |
| Debit card | 225,661 | 3% | 272,819 | 3% | 21% |
| ABM | 71,424 | 1% | 55,152 | 1% | -23% |
| Prepaid card | 14,895 | 0.2% | 17,633 | 0.2% | 18% |
| EFT | 4,167,111 | 45% | 6,225,588 | 57% | 49% |
| Credit card | 472,954 | 5% | 591,301 | 5% | 25% |
| Online transfer | 68,755 | 1% | 324,790 | 3% | 372% |
| Cash | 104,395 | 1% | 58,415 | 1% | -44% |
| Total | 9,117,045 | 100% | 10,827,451 | 100% | 19% |

Together, EFT and cheque accounted for 87 per cent of total payments value in 2021. But, while EFT value grew significantly, cheque value continued its decline over the past five years. The decline in cheque volume was even steeper during this time period, with 49 per cent fewer cheque payments being made between 2016 and 2021 by Canadians. This trend reflects the ongoing migration from cheque to digital payments such as EFT and *Interac* e-Transfers. Individuals and businesses replaced cheques with digital payments for traditional cheque use cases like peer-to-peer (P2P) and bill payments because of perceived convenience, speed, security and low cost.

Online transfer transaction volumes and values experienced the highest growth of any payment method over the past five years (469 per cent and 372 per cent respectively) and are expected to continue growing. Overall, they still account for only around five per cent of total payments volume.

As reported in the 2021 Canadian Payment Methods and Trends report, the COVID-19 pandemic accelerated the ongoing decline in paper payment methods in 2020. For 2021, this payment trend continued. Cash transaction volumes decreased by 62 per cent from 2016, replaced by debit and credit card payments, which accounted for 29 per cent and 32 per cent of total payments volume respectively. In 2021, the five-year growth rate for debit and credit card volume was 10 per cent and 33 per cent respectively. The “on-again, off-again” lifting of pandemic-related restrictions and gradual reopening of brick and mortar retail businesses in 2021 caused many Canadians to continue making their purchases online. So, while cash purchases continued to decline, both debit and credit card transactions saw a bump in volume, with credit remaining the main payment method for e-commerce transactions (for more, see the [credit card](#) section).



Year-over-year Canadian payment transaction trends

The following analysis compares the 2021 data to 2020 data (see Table 5: One-year Canadian payments transaction trends), which allows us to identify if trends observed in previous years are continuing, and to spot the emergence of potential trends.

Transaction volumes and values across most payment types rebounded in 2021 despite the emergence of the Omicron variant in late Q4 in Canada. Both credit and debit card volumes and values experienced single-digit year-over-year growth, compared to year-over-year declines in 2020. This result was due to a boost in overall consumer spending in 2021 with the gradual lifting of public health and safety pandemic restrictions and reopening of brick and mortar retail businesses, combined with the continued and growing use of credit and debit cards for e-commerce purchases.

Cheque usage continued to decline with six per cent fewer cheque payments being made in 2021 versus 2020. But, this year-over-year decline is far less steep than a year ago (-26 per cent), which means cheque usage also rebounded in 2021. Some Canadians likely returned to using cheques for the same payment use cases as before the pandemic (e.g., rent, home services, gift).

For the first time ever, online transfer value exceeded that of debit card in 2021 (\$325 billion versus \$273 billion). Online transfer transaction volume grew by 26 per cent and continued to lead all other payment types for year-over-year volume growth. Despite this

double-digit growth in volume and value, online transfers continued to account for a relatively small portion of total payments volume and value (five per cent and three per cent respectively).

EFT transaction volume and value rebounded in 2021 with strong year-over-year growth, particularly for value (21 per cent). The continued decline in cheques, coupled with the increase in EFT value, indicates more Canadian consumers are replacing cheques with electronic payment methods for large-value transactions. Furthermore, in September, employment finally returned to its pre-pandemic level (February 2020).⁶⁵ Q3 2021 was marked as the period of relative normalcy that allowed the economy to bounce back after contracting in the second quarter.⁶⁶ EFT values increased in the back half of 2021 as a result of increased economic activity in the form of businesses making larger value payments to suppliers and employees.

Automated banking machines (ABM) withdrawal transaction volumes declined by eight percent, but increased in value by 23 per cent year-over-year. This was an exception to the five-year payment transaction trend of a reduction in ABM transaction value. The decrease in the number of ABM cash withdrawals was likely due to the pandemic. The increase in ABM withdrawal transaction value was driven by the demand for large-denomination notes, which suggests that precautionary motives have been an important driver of cash demand in 2021.

TABLE 5: ONE-YEAR CANADIAN PAYMENTS TRANSACTION TRENDS

| Payment method | Total volume 2020 | | Total volume 2021 | | Change from 2020 % |
|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | In millions | % of total volume | In millions | % of total volume | |
| Cheque | 432 | 2% | 404 | 2% | -6% |
| Debit card | 5,699 | 30% | 5,964 | 30% | 5% |
| ABM | 423 | 2% | 391 | 2% | -8% |
| Prepaid card | 303 | 2% | 294 | 1% | -3% |
| EFT | 2,908 | 15% | 3,081 | 16% | 6% |
| Credit card | 6,223 | 33% | 6,572 | 33% | 6% |
| Online transfer | 801 | 4% | 1,007 | 5% | 26% |
| Cash | 2,247 | 12% | 2,038 | 10% | -9% |
| Total | 19,036 | 100% | 19,750 | 100% | 4% |

| Payment method | Total value 2020 | | Total value 2021 | | Change from 2020 % |
|-----------------|------------------|------------------|-------------------|------------------|--------------------|
| | \$ millions | % of total value | \$ millions | % of total value | |
| Cheque | 3,056,371 | 33% | 3,281,753 | 30% | 7% |
| Debit card | 251,731 | 3% | 272,819 | 3% | 8% |
| ABM | 44,826 | 0.5% | 55,152 | 1% | 23% |
| Prepaid card | 17,884 | 0.2% | 17,633 | 0.2% | -1% |
| EFT | 5,147,089 | 55% | 6,225,588 | 57% | 21% |
| Credit card | 564,210 | 6% | 591,301 | 5% | 5% |
| Online transfer | 249,123 | 3% | 324,790 | 3% | 30% |
| Cash | 51,347 | 1% | 58,415 | 1% | +14% |
| Total | 9,382,582 | 100% | 10,827,451 | 100% | 15% |

⁶⁵ For more, see: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043402>.

⁶⁶ Ibid.

Environmental, social and governance in payments

Environmental, social and governance (ESG) considerations are impacting the payment ecosystem. In Canada, credit card operators and issuers are beginning to introduce ESG initiatives linked to their credit card products and services. For example, Mastercard Canada introduced its sustainable cards program in July 2020. The sustainable cards program involves establishing standards used by card issuers for recyclable, bio-sourced, chlorine-free, degradable and ocean plastics. The aim of the program is to reduce first-use plastic in payment card production.⁶⁷

In addition, Mastercard launched its carbon calculator globally in 2021, allowing consumers to view the estimated carbon footprint of all their card purchases, thereby providing them with insight into the effect their day-to-day footprint has on the planet.⁶⁸ Mastercard's wildlife impact credit card program, also launched in 2021, is designed to give people who are passionate about nature and the environment a way to help protect wildlife and their habitats.⁶⁹

Vancity offers its line of Vancity enviro Visa cards where five per cent of the profits are distributed back to the local community through the Vancity enviroFund each year. Since the enviroFund program began in 1990, over \$2.7 million has been awarded to local groups and supported community initiatives addressing local environmental issues. In November 2021, Vancity launched its new enviro Visa Business credit card for its business members.⁷⁰

⁶⁷ For more, see: <https://www.mastercard.ca/en-ca/vision/corp-responsibility/sustainability.html>. Mastercard 2020 Sustainability Report, see: <https://www.mastercard.ca/en-ca/vision/corp-responsibility/social-sustainability/our-global-impact.html>.

⁶⁸ For more, see: <https://www.mastercard.com/news/press/2021/april/mastercard-unveils-new-carbon-calculator-tool/>.

⁶⁹ For more, see: <https://www.businesswire.com/news/home/20210521005207/en/Mastercard-Partners-with-Conservation-International-to-Protect-and-Restore-Wildlife-Habitats-through-New-Line-of-Wildlife-Impact-Cards>.

⁷⁰ For more, see: https://www.vancity.com/AboutVancity/News/MediaReleases/VancityLaunchesNewEnviroVisaBusinessCard_Oct29_2021/#:~:text=Monday%2C%20November%201%2C%202021%2C,card%20for%20its%20business%20members.



2021 HIGHLIGHTS

- ▶ The overall declining trend in cash use continued and was further influenced by the pandemic.
- ▶ Cash use decreased nine per cent in volume from 2020, to represent 10 per cent of total payment volume (compared to 27 per cent in 2016).
- ▶ Cash use increased 14 per cent in value from 2020, to represent one per cent of total payment value (compared to one per cent in 2016).
- ▶ ABM withdrawal transaction value increased by 23 per cent from 2020, driven by the demand for large-denomination notes due to the precautionary motives of Canadians.
- ▶ Cash remained the fourth most used payment method behind credit and debit cards and EFT by volume, after falling to fourth position overall for the first time ever in 2020.
- ▶ The average cash transaction value was \$29, higher than a year ago (\$23).

Cash

A total of 2 billion transactions worth \$58 billion were made using cash by Canadians in 2021. Overall, cash accounted for 10 per cent and one per cent of total payment transaction volume and value respectively.

Cash continued to lose ground to debit and credit cards for low-value transactions at the point-of-sale in 2021, and transaction volume has decreased by 62 per cent over the last five years.

Many Canadians switched to contactless and digital payments during the first year of the pandemic and have not gone back to cash. The volume of online purchases made by Canadians grew by five per cent compared to the previous year, and the number of purchase occasions of paying by cash at the point of sale declined.⁷¹

The pandemic presented an opportunity for many Canadians to use contactless and digital payments either for the first time, or more regularly for everyday payments. Even after the lifting of public health measures and the reopening of the economy at different points in 2021, Canadians demonstrated a continued preference for contactless payments.

Over the last year, the vast majority of Canadians (84 per cent) used cash fewer than four times a week.⁷² Twenty-five per cent of Canadians received at least some of their monthly employment income in cash, with four per cent of Canadians receiving the majority of their income in cash.⁷³ Cash is a common way for gig workers to get paid – 27 per cent of gig workers get paid in cash – but only 22 per cent prefer to be paid in cash.⁷⁴ Electronic payments are the primary and preferred way for gig workers to get paid, via *Interac* e-Transfer or direct deposit, mainly because these payment methods are easily traceable and fast.⁷⁵

The main reasons Canadians do not use cash more frequently for store purchases is that cash is less convenient than other payment methods and they do not receive loyalty rewards for using this payment type compared to payment cards. Other reasons include not being able to easily keep track of purchases and a lack of interest in using cash.⁷⁶

Of the consumers who use cash for store purchases, their top reasons for doing so include: having cash on

hand they want to spend; the transaction value being a low amount (under \$15); the ease and convenience of using cash for that transaction; and the merchant preferring or only accepting cash payments.⁷⁷ For more detail on the key drivers of cash use among consumers, see **Table 6: Top five drivers of cash use**.

In 2021, almost three-in-ten Canadians (29 per cent) reported using cash for a P2P payment in the previous week.⁷⁸ Cash usage for making P2P payments is declining, down 12 per cent from last year.⁷⁹ The average number of times Canadians used cash to make a P2P payment to other people was 3.4 times per week, compared to 3.6 times per week for store purchases.⁸⁰ So, cash is more or less being used at the same frequency by Canadians for making P2P payments and store purchases.

Canadians chose cash for making P2P payments to other people mainly for the following reasons: the person they were giving money to preferred or only wanted cash; it was easier and more convenient for them to use cash; and they had cash on hand they wanted to spend.⁸¹

⁷¹ TSI Canadian Payments Forecast, 2022.

⁷² Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

⁷³ Ibid.

⁷⁴ Leger/Payments Canada. 2020 Consumer Payments Tracker Survey.

⁷⁵ Ibid.

⁷⁶ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Ibid. Note: In 2020, the average number of times Canadians used cash to make a P2P payment to other people was 3.9 times per week.

⁸⁰ Ibid.

⁸¹ Ibid.

Given the overall declining cash use among Canadians, it is not surprising that 50 per cent of consumers believe Canadian stores could become completely cashless in the next ten years. However, 42 per cent of Canadians state that not being able to use cash to purchase goods whenever they liked would make them anxious.⁸² This sentiment suggests consumers still value the option to use cash, even if it is not their primary or preferred payment method.

As we saw at the beginning of the pandemic, many Canadians withdrew large amounts of cash but were not using it for making payments. Instead, it was used as a store of value in case of emergencies.⁸³ The exceptional demand for cash since March 2020 was driven by the demand for large-denomination notes, a trend which continued in 2021. It suggests that precautionary motives have been important drivers of extraordinary cash demand seen in 2020 and 2021.⁸⁴

Although the overall declining trend in cash use is expected to continue for the long term, there may be a continued rebound in the short term as consumers continue to keep cash on hand and regain their comfort towards using cash as the COVID-19 pandemic wanes.⁸⁵

⁸² Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

⁸³ For more, see: **Cash and COVID-19: The effects of lifting containment measures on cash demand and use.**

⁸⁴ For more, see: **Cash and COVID-19: What happened in 2021.**

⁸⁵ Euromonitor International, Passport Financial Cards and Payments in Canada (2021).

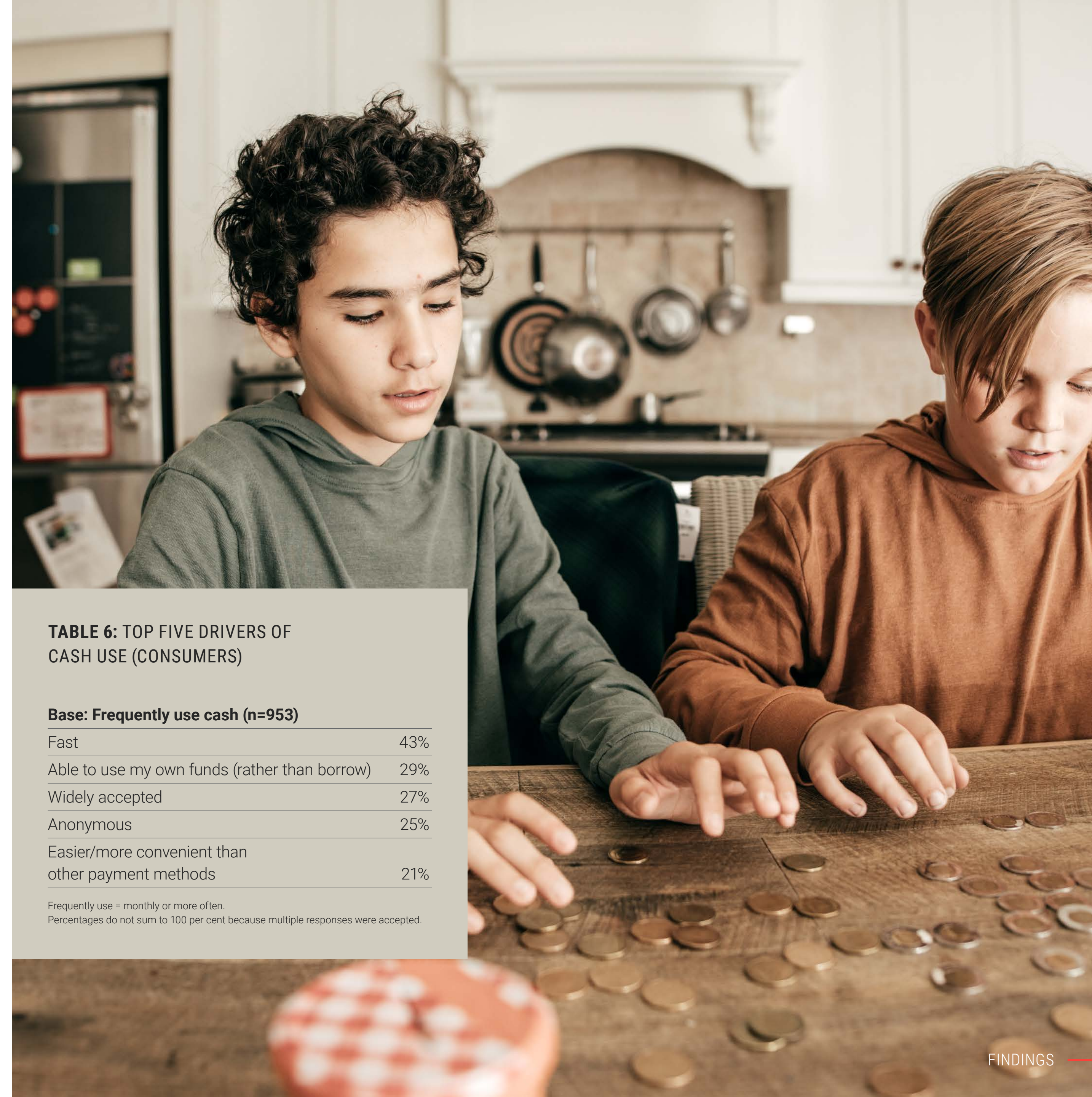


TABLE 6: TOP FIVE DRIVERS OF CASH USE (CONSUMERS)

Base: Frequently use cash (n=953)

| | |
|---|-----|
| Fast | 43% |
| Able to use my own funds (rather than borrow) | 29% |
| Widely accepted | 27% |
| Anonymous | 25% |
| Easier/more convenient than other payment methods | 21% |

Frequently use = monthly or more often.
Percentages do not sum to 100 per cent because multiple responses were accepted.

2021 HIGHLIGHTS

- ▶ The overall declining trend in cheque and paper⁸⁶ use continued with a migration towards card and electronic payment methods due to the COVID-19 pandemic.
- ▶ Cheque use decreased six per cent in volume from 2020, to represent two per cent of total payment volume (compared to four per cent in 2016).
- ▶ Cheque use increased seven per cent in value from 2020, to represent 30 per cent of total payment value (compared to 44 per cent in 2016).
- ▶ Cheque remained as the least used payment method following online transfer by volume.
- ▶ The average cheque transaction value was \$8,123 compared to \$7,075 a year ago.

⁸⁶ Cheque and paper items include paper remittances, imaged paper and encoded paper items.



Cheque and paper

A total of 404 million cheque transactions, valued at \$3.3 trillion, were made by Canadians in 2021. Overall, cheque volume decreased by 49 per cent compared to 2016, primarily losing volume to card and electronic payment methods, such as online transfer and EFT.

Personal cheque use is fairly low with 44 per cent of Canadians rarely using cheques (i.e., less than once a month).⁸⁷ Canadians who regularly use cheques do so mainly because cheques are perceived to be easier and more convenient than other payment methods, and because cheques make it easier to keep track of expenses. For more on the top drivers of cheque use, see **Table 7: Top five drivers of cheque use**.

Twenty-seven per cent of gig workers get paid by cheque, but only 19 per cent prefer to get paid this way.⁸⁸ Electronic payment (e.g., *Interac* e-Transfer, direct deposit) is how gig workers prefer to get paid.

⁸⁷ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

⁸⁸ Leger/Payments Canada. 2020 Consumer Payments Tracker Survey.

⁸⁹ Modus Research/Payments Canada 2022 Understanding Payment Usage and Attitudes (Consumer).

⁹⁰ Ibid.

Cheque use continues to decline, although there are still situations where payment by cheque is required (i.e., rent). Other common use cases for cheque payments include gifts and insurance reimbursement.⁸⁹

While cheques are often used due to limited alternative payment options, other reasons for use include: the lack of transaction limits; the security of being able to cancel a cheque if a contractor fails to deliver; and the ability to post-date cheques. These findings suggest some consumers may not be aware that they can set up recurring pre-authorized debits (PADs) and recurring online bill payments via an online banking account or that they can cancel these types of payments anytime.⁹⁰

WHY SOME BUSINESSES PREFER USING CHEQUE PAYMENTS

There are a number of reasons Canadian businesses across different sectors continue to use cheques. In the Canadian real estate industry, there is a perceived need for certified cheques to expedite and secure the deposit upon acceptance of an offer to purchase a property.⁹¹ Cheque usage also predominates due to *Interac* e-transfer transaction limits for banking clients. Other reasons cheques are preferred include the ability to track transactions and maintain proper record keeping.⁹² It is for these reasons firms require payment by cheque for real estate transactions.

In general, cheque usage is also tied to generational differences in payment preference. Older people prefer what has worked for them (paper) due to familiarity and comfort.⁹³ This is expected to gradually fade over time as younger Canadians prefer digital payments and advancements in digital payment methods make it easier to transition away from cheques. For more information on cheque payments by businesses, see the **business payments** section.

TABLE 7: TOP FIVE DRIVERS OF CHEQUE USE (CONSUMERS)

Base: Frequently use cheque (n=334)

| | |
|--|-----|
| Easier/more convenient than other payment methods | 23% |
| Easier to control/keep track of expenses | 22% |
| Helps me manage my budget better | 21% |
| Able to use my own funds rather than borrow | 21% |
| Widely accepted/most stores where I shop accept only this payment method | 16% |

Frequently use = monthly or more often.
Percentages do not sum to 100 per cent because multiple responses were accepted.

⁹¹ Modus Research/Payments Canada 2021 Real Estate Cheque Reduction Study.

⁹² Ibid.

⁹³ Ibid.

2021 HIGHLIGHTS

- ▶ Debit card payment transaction volume and value rebounded in 2021 compared to last year (six billion transactions worth \$273 billion).
- ▶ Debit card use increased five per cent in volume from 2020, to represent 30 per cent of total payment volume (compared to 27 per cent in 2016).
- ▶ Debit card use increased eight per cent in value from 2020, to represent three per cent of total payment value (compared to two per cent in 2016).
- ▶ Debit cards remained the second most used payment method for purchases behind credit cards by volume.
- ▶ The average debit card transaction value was \$46, slightly higher than a year ago (\$44).
- ▶ Debit cards⁹⁴ remain one of the most popular payment methods accounting for 30 per cent of total payment volume in Canada, second only to credit cards.

⁹⁴ Debit cards include all debit card transactions; for example, contact and contactless (including card and mobile) payments, Interac Debit In-App and Interac Online Payments.

Debit card

The year-over-year growth in debit card volumes corresponded to the declining use of cash mainly for low-value transactions. The pandemic contributed to the migration from cash to card payments as merchants urged consumers to use these payment types over cash to control the transmission of the COVID-19 virus.⁹⁵

Just over half of Canadians (52 per cent) reported making one or more debit card purchases in the previous week, with younger Canadians aged 18 – 24 using debit cards slightly more than other age groups. This may be due to a lack of access to credit cards. Overall, Canadians preferred using debit cards because they were able to quickly make a payment, could use their own funds and could more easily keep track of their expenses (see **Table 8: Top five drivers of debit card use**).⁹⁶

When making debit card purchases at a physical store location, more than two-thirds of Canadians (68 per cent) paid contactlessly because contactless payment is perceived to be faster and more convenient than entering a PIN.⁹⁷ Consumers also continued to be concerned about catching the virus while touching point-of-sale terminals. Overall, the number of Canadians tapping their debit card to complete a transaction increased by six per cent from last year.⁹⁸

Sixty-three per cent of debit cards in circulation in Canada are co-badged cards that include both the *Interac* and Visa or Mastercard logos.⁹⁹ This is up from 60 per cent of cards being co-badged in 2020. Co-badged cards allow consumers to make *Interac* debit card purchases at the physical point-of-sale, and Visa or Mastercard for online purchases where accepted by the merchant.

⁹⁵ Euromonitor International, Passport Financial Cards and Payments in Canada (2021).

⁹⁶ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

⁹⁷ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

⁹⁸ Ibid.

⁹⁹ Ibid.

¹⁰⁰ Transaction numbers provided by Interac.

¹⁰¹ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁰² Euromonitor International, Passport Financial Cards and Payments in Canada (2021).

Interac Online transaction volume increased by 19 per cent from 2020 to 17.1 million transactions,¹⁰⁰ with 47 per cent of Canadians indicating they've used *Interac* Online services more frequently since the onset of COVID-19.¹⁰¹

The increase in co-badged debit cards in circulation and *Interac* Online transaction volume is likely due to an increase in e-commerce transactions due to the COVID-19 pandemic. As one of the top drivers of debit card use is the ability to use one's own funds, co-badged debit cards and *Interac* Online allow consumers to shop online while controlling their spending.

While debit card transaction volume is expected to increase, growth is expected to slightly slow as Canadians revert to using cash at point of sale as the impact of COVID-19 subsides.¹⁰²

TABLE 8: TOP FIVE DRIVERS OF DEBIT CARD USE (CONSUMERS)

Base: Frequently use debit cards (n=1,021)

| | |
|---|-----|
| Fast | 51% |
| Able to use my own funds (rather than borrow) | 42% |
| Widely accepted | 40% |
| Easier/more convenient than other payment methods | 35% |
| Easier to control/keep track of expenses | 26% |

Frequently use = monthly or more often.

Percentages do not sum to 100 per cent because multiple responses were accepted.

2021 HIGHLIGHTS

- ▶ Credit card payment transaction volume and value rebounded in 2021 compared to last year (6.6 billion transactions worth \$591 billion).
- ▶ Credit card use increased six per cent in volume from 2020, to represent 33 per cent of total payment volume (compared to 25 per cent in 2016).
- ▶ Credit card use increased five per cent in value from 2020, to represent five per cent of total payment value (compared to five per cent in 2016).
- ▶ Credit cards remained the most used payment method for purchases made either online or at the point-of-sale.
- ▶ The average credit card transaction value was \$90, slightly lower than a year ago (\$91).



Credit card

Overall credit card¹⁰³ usage rebounded in 2021, with a six per cent increase in volume and a five per cent increase in value from last year. The number of credit cards in circulation increased by two per cent to 94.8 million compared to 2020.

Credit cards remained the most used payment instrument and also accounted for the bulk of card value overall. About three quarters of all Canadians (74 per cent) report using their credit cards frequently for payments, with a disproportionately higher number of 18 – 34 year-olds using them frequently (77 per cent), compared to Canadians 55 and older (67 per cent).¹⁰⁴

Canadians responded to easing of public health measures and lifting of public restrictions in the first quarter by returning to their normal spending patterns. Credit card usage increased as a result of pent-up consumer demand and increased opportunities for in-person gathering and spending (e.g., people

beginning to travel again, dining out, and in-store shopping). This growth was slowed in the second quarter when the third wave of COVID-19 hit, and in the last quarter with the rapid spread of the Omicron variant.

Consumers are drawn to credit cards for their rewards, with about four-in-five Canadians (79 per cent) reporting their primary credit card providing some kind of reward.¹⁰⁵ In fact, 58 per cent of frequent credit card users listed “receiving discounts/loyalty points/rewards” as their main reason for frequently using credit cards for purchases (see **Table 9: Top five drivers of credit card use**).¹⁰⁶ Of the total rewards credit cards in circulation, cash back rewards make up the majority (44 per cent), followed by travel rewards (20 per cent), and retail/store rewards (14 per cent). Almost three-in-ten Canadians (29 per cent) reported they still carried a balance on their cards past their billing cycle, which is lower than a year ago (32 per cent). This may be due to Canadians avoiding or minimizing debt exposure throughout the pandemic.¹⁰⁷

¹⁰³ Credit cards include all credit card transactions; for example, card on file, contact and contactless (including card and mobile) payments.

¹⁰⁴ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁰⁵ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

¹⁰⁶ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁰⁷ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

Over half of all Canadians (52 per cent) used credit cards to pay a bill or household expense in the past year. The type of bills or expenses most likely to be paid by a credit card include: memberships (such as fitness, gym, social clubs, meal kit service), streaming services (such as Netflix, Apple TV+, Spotify), media/software subscriptions, internet service, cell phone charges, cable charges, home and auto insurance expenses, and home services (such as daycare, contractors) (see **Figure A10: Bill payments heat map in appendix** for more). When it comes to in-store purchases, credit cards retained the top ranking as the most used payment method in Canada at the point-of-sale, representing about half of total sales (49 per cent).¹⁰⁸ Credit cards remained the most popular payment method for online purchases, with 65 per cent of online shoppers paying for goods or services by credit card in 2021 versus 57 per cent a year ago.¹⁰⁹

There were several noteworthy developments within the credit card space in 2021. Credit card operators responded to the swift migration of Canadians to online purchases by improving their digital capabilities and collaborating with online retailers, card issuers and merchant processors on new initiatives. For example, Click to Pay was launched via a partnership between Visa Canada and Moneris, which enables cardholders to check out remotely through e-commerce platforms, including mobile apps, without entering personal details, account numbers and passwords.¹¹⁰

Pandemic restrictions limiting travel appear to have impacted the attractiveness of travel rewards. Credit cards offering cashback, lower fees, lower interest rates and/or useful day-to-day perks became more enticing to credit card users and applicants. Some credit card issuers introduced new credit card offers. For example, Desjardins launched its new Flexi Visa card with a low interest rate and no annual fees.¹¹¹ TD Bank ran a spring promotion offering its Visa Infinite customers three times the regular amount of “Cash Back Dollars” on payments to select online food and grocery delivery services,¹¹² and RBC teamed up with DoorDash to offer eligible RBC credit cardholders a free twelve-month subscription to DashPass.¹¹³

¹⁰⁸ For more, see: <https://www.statista.com/statistics/1177097/preferred-payment-methods-canada/>.

¹⁰⁹ TSI, Canadian Payments Forecast 2021.

¹¹⁰ Euromonitor International, Passport Financial Cards and Payments in Canada (2021).

¹¹¹ Ibid.

¹¹² Ibid.

¹¹³ For more, see: <https://www.tipranks.com/news/rbc-and-door-dash-partner-to-bring-deals-and-savings-to-canadians/>.

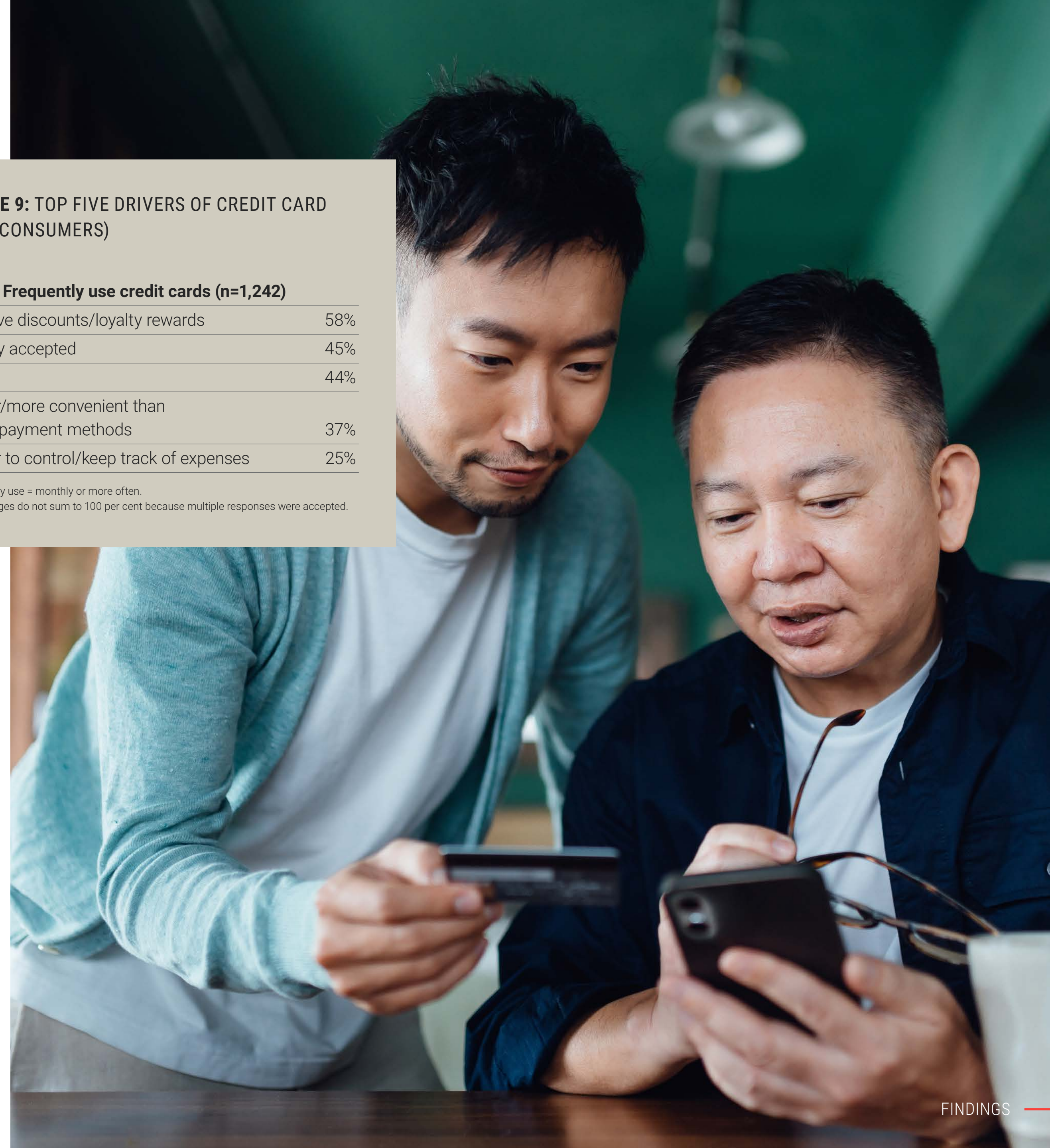
TABLE 9: TOP FIVE DRIVERS OF CREDIT CARD USE (CONSUMERS)

Base: Frequently use credit cards (n=1,242)

| | |
|---|-----|
| Receive discounts/loyalty rewards | 58% |
| Widely accepted | 45% |
| Fast | 44% |
| Easier/more convenient than other payment methods | 37% |
| Easier to control/keep track of expenses | 25% |

Frequently use = monthly or more often.

Percentages do not sum to 100 per cent because multiple responses were accepted.



2021 HIGHLIGHTS

- ▶ There was an increase in the issuance of merchant-issued gift cards supporting an increase in the use of closed-loop prepaid cards, but overall, closed-loop prepaid card transaction volume and value slightly declined from a year ago (down three per cent and one per cent respectively).¹¹⁴
- ▶ Closed-loop prepaid card transaction value fell by one per cent to \$12.7 billion year-over-year compared to open-loop prepaid card transaction value which declined by two per cent to \$4.9 billion.
- ▶ Since 2016, total prepaid card payment volume and value have increased by an average of three per cent per year.
- ▶ The average prepaid card transaction value remained unchanged from a year ago at \$60.

¹¹⁴ A closed-loop prepaid card is either a physical or virtual prepaid card that can only be used to make purchases from a single company. Closed-loop prepaid cards are also known as merchant-issued gift cards.

Prepaid card

In 2021, total prepaid card transaction volume and value were 294 million and \$17.6 billion respectively. Both declined slightly from a year ago, impacted by the ongoing decreased point-of-sale spending opportunity.¹¹⁵

During 2021, Canadians deposited additional value into their open-loop prepaid cards (e.g., Mastercard, Visa or American Express branded) an average of five times worth \$571 in the previous month.¹¹⁶ In the case of closed-loop prepaid cards (e.g., Tim Hortons, Apple iTunes cards, mall gift cards), the average number and value of individual deposits loaded into their cards over the past month was five times and \$89 respectively. Overall, total prepaid cards (both physical and virtual) grew by a five-year compound annual growth rate of three per cent on both a total volume and value basis from 2016. While their recent performance has remained stagnant, prepaid card transactions are expected to continue growing at an annual compound rate of three per cent over the long term. The key drivers of prepaid card usage among Canadians continue to be the ability to make payments fast, receive discounts or loyalty rewards, and the wide acceptance of open-loop prepaid cards (see **Table 10: Top five drivers of prepaid card use**).¹¹⁷

Canadians increased their use of closed-loop prepaid cards during 2021. Gift cards offer a useful alternative for consumers who prefer not to shop remotely. Prepaid gift cards can be easily purchased online and used by recipients at any time as most merchant-issued gift cards do not expire.¹¹⁸

Some private organizations and government agencies distributed merchant-issued gift cards to employees who were laid off due to the pandemic (e.g., the province of Prince Edward Island partnered with Sobeys to provide merchant-issued gift cards to residents who became unemployed due to the pandemic; Metro offered employees a COVID relief bonus via the issuance of merchant-issued gift cards).¹¹⁹

¹¹⁵ This report captures both closed and open-loop prepaid cards.

¹¹⁶ An open-loop prepaid card is either a physical or virtual prepaid card that can be used anywhere that the prepaid card brand is accepted.

¹¹⁷ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹¹⁸ Euromonitor International, Passport Financial Cards and Payments in Canada (2021).

¹¹⁹ Ibid.

During 2021, there was also increased activity among retailers and food-service operators offering merchant-issued gift cards to improve sales and cash flow, while promoting brand awareness (e.g., Pizza Pizza held a free 10 per cent bonus card promotional offer for customers who purchased virtual gift cards; Shoppers Drug Mart launched several promotions allowing customers to earn bonus PC Optimum points for gift card purchases).¹²⁰

There were some noteworthy developments in the open-loop prepaid card market in 2021. Mogo, a Canadian-based fintech, expanded its Bitcoin rewards program by offering two per cent cashback (paid in Bitcoin) on purchases using its Visa Platinum prepaid card.¹²¹ This offer was intended to target younger consumers who are more likely to have an interest in digital currency and wished to explore digital currency opportunities but were cautious about risking their own capital.¹²²

The pandemic triggered additional use cases for prepaid cards. This included the gig economy space such as delivery courier programs, BNPL programs via online channels, and virtual card issuance programs within the commercial payment space (e.g., payroll cards, employee benefits and incentives, insurance claim cards, corporate expenses).¹²³

Looking ahead, open-loop prepaid cards are expected to increase in volume share of total prepaid card transactions with the recovery of the Canadian economy in full swing. As businesses and government institutions continue to move away from cash and cheque payments, open-loop prepaid cards represent a potential solution for payroll, employee benefits, corporate incentives and corporate expenses.¹²⁴

Additionally, the usage of prepaid card rails to drive payment innovations such as BNPL initiatives will help fuel growth of the open-loop prepaid card

¹²⁰ Ibid.

¹²¹ Ibid.

¹²² Ibid.

¹²³ CPPPO, Canadian Open-Loop Prepaid Card Market Report (April 2022).

¹²⁴ Ibid.

segment.¹²⁵ More fintech companies (e.g., KOHO, Mogo) have expanded into prepaid cards to complement their deposit account, personal lending, and investment products. These fintechs offer reloadable open-loop prepaid cards “targeted at younger consumers and positioned as a more economical and effective way for this demographic to manage spending than credit or debit cards.”¹²⁶ One of the key drivers of prepaid card use among Canadians is it makes it easier to keep track of expenses.

Closed-loop prepaid card performance should benefit from the recovering Canadian economy and improving consumer confidence level. Demand for merchant-issued gift cards among Canadians buying gifts for family and friends or businesses rewarding their employees or strengthening client relationships is expected to continue to be strong.¹²⁷

As Canadians return to school or work at the office either every day or a few days out of the week, the use of transportation cards and parking and toll cards is expected to rise. Before the start of the COVID-19 pandemic, the younger the rider, the more frequently they reloaded money into their transit card. About two-thirds of transit users (63 per cent) carried a balance of \$20 or less on their reloadable cards.¹²⁸ During the COVID-19 pandemic, the frequency of reloading a transit card has been significantly reduced among all transit users. About half of transit users (48 per cent) now carry a balance of \$10 or less on their reloadable cards.¹²⁹

¹²⁵ CPPPO, Canadian Open-Loop Prepaid Card Market Report (April 2022).
¹²⁶ Euromonitor International, Passport Financial Cards and Payments in Canada (2021).
¹²⁷ Ibid.
¹²⁸ Leger/Payments Canada. 2020/2021 Consumer Payments Tracker Surveys.
¹²⁹ Ibid.

TABLE 10: TOP FIVE DRIVERS OF PREPAID CARD USE (CONSUMERS)

Base: Frequently use prepaid cards (n=189)

| | |
|--|-----|
| Fast | 29% |
| Widely accepted | 25% |
| Receive discounts/loyalty rewards | 24% |
| Easier to keep track of expenses | 23% |
| More secure than other payment methods | 22% |

Frequently use = monthly or more often.
 Percentages do not sum to 100 per cent because multiple responses were accepted.



2021 HIGHLIGHTS

- ▶ Many Canadians who switched to contactless payments for their day-to-day spending in 2020 continued to tap in 2021.
- ▶ Contactless payment transaction volume increased by 12 per cent from last year to account for 34 per cent of total payment volume in 2021.
- ▶ Contactless payment transaction value increased by 18 per cent from last year to account for nearly three per cent of total payment value.
- ▶ Debit contactless transactions accounted for 57 per cent of total contactless volume and 29 per cent of total contactless value.
- ▶ Credit contactless transactions accounted for 43 per cent of total contactless volume and 71 per cent of total contactless value.
- ▶ The average debit contactless transaction value was \$24, while the average credit contactless transaction spend was \$78. The total average contactless transaction value was \$48.



Contactless payment

There were a total of 6.8 billion contactless payment transactions¹³⁰ worth \$323 billion in 2021.¹³¹ Contactless volume and value increased by 12 per cent and 18 per cent year-over-year, respectively (see [Figure 2 for contactless payments volume and value growth](#)). The average contactless transaction value was \$48, up slightly from \$45 last year due to an increase in the average credit contactless transaction value (up eight per cent).

The migration to contactless payments among consumers has been observed over the past several years, and the COVID-19 pandemic accelerated this trend. Canadians who switched to contactless payments for their day-to-day spending in 2020 continued to pay contactlessly, perhaps due to continuing apprehensions about COVID-19 transmission or because they prefer the benefits of contactless payments.

In our research on the impacts of the pandemic on consumer payments behaviour, 43 per cent of Canadians agreed that the COVID-19 pandemic has changed their payment preferences to digital and contactless for the long-term.¹³² The number of Canadians who feel this way remained steady throughout 2021. About one-third of Canadians (32 per cent) indicated they were uncomfortable touching a debit or credit card payment machine.¹³³ Since the start of the pandemic, 43 per cent of credit card users tapped their credit card, and 42 per cent of debit cardholders tapped their debit card when paying at a store. These figures are relatively unchanged from 2020.¹³⁴ Over one-quarter of all Canadians (27 per cent) indicated one of the biggest frustrations they faced when making a payment in-store was that not all stores offered a contactless/tap option.¹³⁵

¹³⁰ Contactless transactions are defined as using a payment card or mobile device tap to initiate a payment through a POS reader (in physical merchant locations).

¹³¹ TSI Canadian Payments Forecast, 2022.

¹³² Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

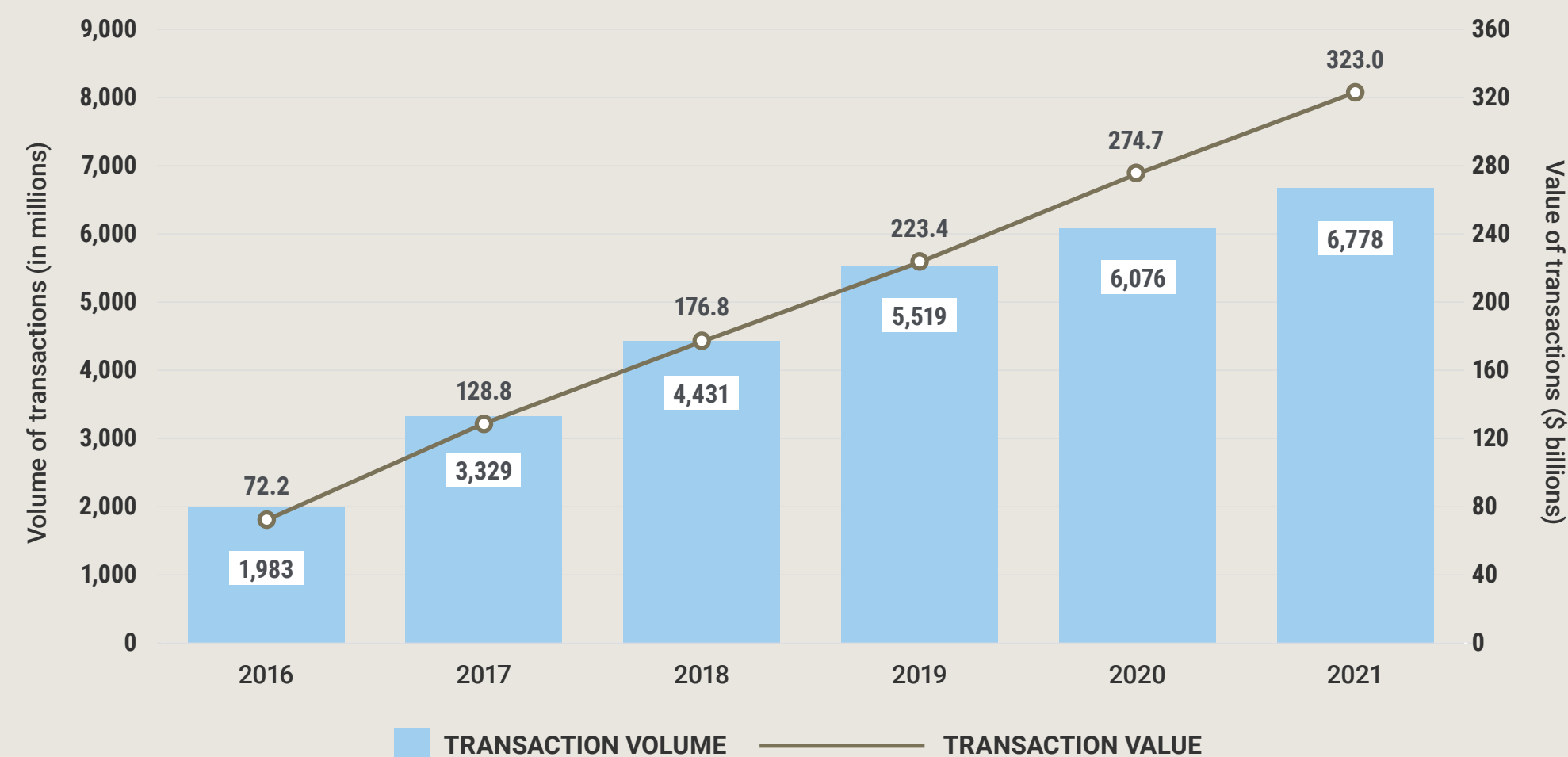
¹³³ Ibid.

¹³⁴ Ibid.

¹³⁵ Ibid.



FIGURE 2: CONTACTLESS GROWTH 2016 – 2021, VOLUME AND VALUE¹³⁶



¹³⁶ TSI, Canadian Payments Forecast 2022.

Contactless debit card payments are viewed by Canadians to be a cash replacement for low-value purchase transactions. *Interac Flash* – the tap-to-pay function of *Interac Debit* – has gained popularity, helped by Interac’s decision to increase the *Interac Flash* per-transaction limit from \$100 to \$250 in January 2021 to align with credit card contactless payment limits. For example, in January 2021, CIBC increased the transaction limit for customers using its debit cards to make payments via Apple Pay, Samsung Pay and Google Pay mobile wallets from \$100 to \$250.¹³⁷

A combination of other factors have also contributed to its popularity. Interac’s zero liability policy, in which cardholders are reimbursed for fraudulent contactless transactions, has helped boost the appeal of this payment method for consumers.¹³⁸ Other reasons include convenience, wide acceptance, and the preference to pay for purchases using one’s own funds.¹³⁹

Overall, debit card transactions accounted for 57 per cent of total contactless transaction volume in 2021 (up three percentage points from 2020) and 29 per cent of total contactless transaction value (up two percentage points from 2020). The average transaction value was \$24, up slightly from \$22 a year ago.¹⁴⁰ The year-over-year growth in average transaction value was supported by an increase in the *Interac Flash* per-transaction limit to \$250 by some debit card issuers in January 2021.

While contactless debit card payments remain a popular payment method for low-value, day-to-day transactions at physical store locations, retail merchants are encouraging consumers to use their contactless debit cards for larger value transactions.

Contactless credit card transaction volume grew by six per cent in 2021 compared to 2020, rebounding from a decline of 10 per cent.¹⁴¹ The lifting of public health measures and re-opening of the economy in the first quarter encouraged consumers to resume more normal spending patterns, including big ticket purchases such as vacation travel. The growth in contactless credit card payments was slowed in the second quarter due to the third wave of COVID-19, and in the last quarter with the rapid spread of the Omicron variant.

Credit card transactions accounted for 43 per cent of total contactless transaction volume and 71 per cent of total contactless transaction value in 2021.¹⁴² Two-thirds of Canadians reported tapping their credit card for in-store purchases in the previous month, with older Canadians (55+) and those with higher incomes more likely to use credit card tap to make purchases.¹⁴³

¹³⁷ Euromonitor International, *Passport Financial Cards and Payments in Canada (2021)*.

¹³⁸ Ibid.

¹³⁹ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁴⁰ Debit figures provided by Interac.

¹⁴¹ TSI Canadian Payments Forecast, 2022.

¹⁴² Ibid.

¹⁴³ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

Our research revealed more Canadians had adopted mobile phone payments (in-app and contactless) in 2020 spurred, in part, by the pandemic. This trend continued in 2021 with more consumers using mobile wallets to make contactless payments in physical stores and in-app purchases from food and grocery delivery services.¹⁴⁴ Just over two-thirds of Canadians (67 per cent) who own a smartphone made a mobile payment in the past six months. Over one-third of smartphone owners (36 per cent) conducted a mobile payment transaction at a physical store location in 2021 compared with 27 per cent in the previous year.¹⁴⁵

Credit and debit card networks and issuers offered various incentives to encourage mobile payments. For instance, American Express offered cash rewards for transactions made via Amex Pay, Google Pay, Apple Pay or Samsung Pay in 2021.¹⁴⁶ Walmart Canada teamed up with Interac and rolled out a range of new in-store and online debit payment options, including support for mobile wallets such as Apple Pay.¹⁴⁷

Although in-store mobile contactless payments accounted for only two per cent of total contactless transaction value (\$7.9 billion) in 2021, in-store mobile contactless transaction value grew by 31 per cent from last year. The growth of in-store mobile contactless payments is expected to continue due to several factors: mobile payment offerings are maturing and focused on creating engaging user experiences; the penetration of smartphones is approaching 90 per cent;¹⁴⁸

and more Canadians have become regular users of contactless payments.¹⁴⁹ Many Canadians perceive in-store mobile contactless payments to be more secure than ever before, with 43 per cent of consumers perceiving contactless payment to be secure, compared to 41 per cent in 2020.¹⁵⁰

The number of in-store mobile contactless payment transactions reached 296 million in 2021, accounting for four per cent of total contactless payment transactions. By 2025, it is expected that the value of in-store mobile contactless payments will reach 649 million transactions worth \$22.7 billion.¹⁵¹ Over the next five years, the average annual growth rates are expected to be 24 per cent in transaction volumes and 29 per cent in transaction values.¹⁵²

Wearable payments (e.g., those made with smart watches or fitness trackers) increased in 2021. Wearables were used to initiate 20.9 million payment transactions worth \$475 million in 2021, up 33 per cent and 41 per cent in volume and value, respectively.¹⁵³ Wearable payments accounted for less than one per cent of total contactless payment transactions in 2021.

QUICK RESPONSE CODE

Continuing interest in, and usage of, quick response code (QR code) in 2021 was fueled by the ongoing pandemic. Some examples of use cases included vaccination passports, checking in at restaurants or retail stores for contact tracing as part of a COVID-19 safety plan, and menu access at restaurants. Although the use of QR codes for payments in Canada is still nascent compared to other regions such as Asia and Australia, consumers are showing an interest in this contactless payment method. Almost one-quarter of Canadians (22 per cent) are comfortable with making a payment using QR code at a store or merchant website if the option was available.¹⁵⁴

Participants within the Canadian payment industry introduced new QR code payment service offerings to consumers in 2021. For example, payment service provider Klik2pay launched an add-on flexible QR code payment feature to its account-to-account (A2A) payment product providing new uses of the Klik2pay QR Code, such as variable charitable donation amounts or partial payments towards an amount due. “The QR code link to initiate payments allows for completely contactless payments in face-to-face settings or from a kiosk screen or display. Additionally, adding customized information such as names or email addresses helps merchants solve the problem of incomplete customer data.”¹⁵⁵

¹⁴⁴ Euromonitor International, Passport Financial Cards and Payments in Canada (2021).

¹⁴⁵ TSI, Canadian Payments Forecast 2021.

¹⁴⁶ Euromonitor International, Passport Financial Cards and Payments in Canada (2021).

¹⁴⁷ Ibid.

¹⁴⁸ For more, see: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2210011501>.

¹⁴⁹ TSI, Canadian Payments Forecast 2022.

¹⁵⁰ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁵¹ TSI, Canadian Payments Forecast 2022.

¹⁵² Ibid.

¹⁵³ Ibid.

¹⁵⁴ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁵⁵ For more, see: <https://www.businesswire.com/news/home/20211019006082/en/Klik2pay-Extends-Capabilities-With-Flexible-QR-Code-Payment-Feature>.

2021 HIGHLIGHTS

- ▶ EFT continued to lead all other payments in transaction value by a wide margin. Overall, it represented 57 per cent of the total payment value in 2021 (increasing from 55 per cent in 2020).
- ▶ EFT transaction value significantly increased by 21 per cent from 2020, compared to a year-over-year decline of about one per cent in 2020.
- ▶ EFT transaction volume also rebounded in 2021, increasing by six per cent from 2020, compared to a year-over-year decline of just over one per cent in 2020.
- ▶ The average EFT transaction value increased by 14 per cent to \$2,021 in 2021 (compared to \$1,770 in 2020).

Electronic funds transfer (EFT)

Electronic funds transfer consists of transactions carried out through a deposit or operating account held at a Canadian financial institution (direct deposits, electronic remittances, pre-authorized debits and other online bill payment transactions).¹⁵⁶

There were a total of 3.1 billion EFT transactions worth \$6.2 trillion in 2021. EFT continued to account for the largest share of total transaction value (57 per cent) compared to all other payment types. EFT continued to be the method preferred by SMEs and commercial businesses for paying business expenses (48 per cent and 69 per cent respectively).¹⁵⁷ Businesses prefer using EFT because of the speed and convenience it offers. EFT allows for easy tracking and reconciliation of expenses and is a supplier-preferred method of payment.¹⁵⁸ See the **business payments** section for more information.

EFT transaction value grew significantly by 21 per cent from 2020, compared to a year-over-year decline of about one per cent last year. EFT transaction volume also grew in 2021, increasing by six per cent from 2020, compared to a year-over-year decline of just over one per cent last year. EFT value and volume rebounded in 2021 due to several reasons discussed below.

Automatic Funds Transfer (AFT) debit and credit accounted for 82 per cent of overall EFT transaction value in Canada.¹⁵⁹ Following a decline in 2020, AFT credit value trended back to its historical levels. Similarly, AFT debit and credit accounted for most of the EFT transaction volume representing 68 per cent of total volume. In 2021, AFT credit volume grew by 25 per cent and AFT debit volume grew by more than 30 per cent compared to last year.¹⁶⁰

There were macroeconomic changes in 2021 that contributed to the growth in EFT transaction value and volume year-over-year. These included higher employment levels, improved business sentiment and a robust housing market. For more details, see the **Macroeconomic changes and their impact on EFT payments** section.

Federal government emergency benefit payments to individuals and businesses continued in 2021, but to a lesser degree than 2020. The Canada Emergency wage subsidy was extended to October 23, 2021, and then replaced by the Tourism and Hospitality Recovery Program and the Hardest-Hit Business Recovery Program.¹⁶¹ The Canada Recovery Benefit, which largely replaced the earlier Canada Economic Recovery Benefit, and was designed to provide income support to those who are not covered by Employment Insurance, was also extended to October 23, 2021.¹⁶² There were a total of 373 million government direct deposits worth \$421 billion. For the entire year, government direct deposits decreased in value and volume by six per cent and two per cent respectively from 2020 due to the gradual rollbacks in pandemic-related emergency benefits provided by the federal government.¹⁶³

EFT usage among consumers continued to be driven by recurring payment and online bill payment use cases. Of all bill payment types, Canadians are more likely to pay electric/hydro, home and auto insurance bills and mortgage payments using PADs (see **Figure A10: Bill payments heat map in appendix** for more). For tax and credit card bills, consumers are more likely to use online/mobile banking bill payment.¹⁶⁴ Consumers perceive EFT payments to be more convenient and faster than other payment methods.¹⁶⁵

¹⁵⁶ For more, see: <https://www.payments.ca/about-us/our-systems-and-rules/retail-system>.

¹⁵⁷ RFI Global, RFI Group Canada Payments Report (2021).

¹⁵⁸ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

¹⁵⁹ Automated funds transfer (AFT) is either a pre-authorized credit or debit payment.

¹⁶⁰ ACSS 2021 Transaction Data.

¹⁶¹ For more, see: <https://www.canada.ca/en/revenue-agency/services/wage-rent-subsidies/emergency-wage-subsidy/cews-history-changes.html>.

¹⁶² For more, see: <https://www.cbc.ca/news/politics/government-extends-pandemic-benefits-1.6124034>.

¹⁶³ ACSS 2021 Transaction Data.

¹⁶⁴ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

¹⁶⁵ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

MACROECONOMIC CHANGES AND THEIR IMPACT ON EFT PAYMENTS

Four macroeconomic forces impacted EFT transaction value and volume in 2021. These were: the growth in the labour force, improved business sentiment, a strong housing market and rising inflation.

Canada's unemployment rate was 7.5 per cent in 2021, down from 9.5 per cent in 2020.¹⁶⁶ During 2021, the unemployment rate continued to trend downwards, reaching 5.9 per cent in December, just shy of the pre-pandemic unemployment rate of 5.7 per cent in 2019.¹⁶⁷ Overall, the increased size of the labour force in 2021 led to increased business payroll transactions, which translated into higher values and volumes for pre-authorized debits (PADs).

EFT transaction value and volume were bolstered by an overall positive business sentiment across Canada. Findings from the Bank of Canada's Business Outlook Survey (spring 2021) revealed the overall business outlook continued to improve regardless of ongoing impacts from the pandemic.¹⁶⁸ Businesses reported feeling less anxious about the COVID-related uncertainty, with many considering the impacts of the pandemic on their activities to

be behind them.¹⁶⁹ Almost two-thirds of businesses reported strong demand, with sales reaching or exceeding pre-pandemic levels. In Q2 2021, retail sales were eight per cent above their pre-pandemic level. Once reopening began, there was a spike in consumer spending that continued until the end of Q3 2021. This was due, in part, to increasing online sales. The increase in retail sales resulted in increased commercial payments to suppliers.

The Canadian housing market continued to support the economic recovery from COVID-19. Resale market activity reached historically high levels in 2021. Prices followed the rising demand. As more Canadians were purchasing homes and taking on mortgages, the number and value of monthly mortgage payment amount increased, which led to higher EFT volumes and values.

In 2021, the Consumer Price Index (CPI) as a measure of inflation increased by 3.4 per cent over the year, the highest growth pace since 1991. Inflation is also a contributor to EFT payment values.¹⁷⁰

¹⁶⁶ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220107/dq220107a-eng.htm>.

¹⁶⁷ Ibid.

¹⁶⁸ For more, see: <https://www.bankofcanada.ca/2021/04/business-outlook-survey-spring-2021/>.

¹⁶⁹ Ibid.

¹⁷⁰ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/210728/dq210728a-eng.htm>.



2021 HIGHLIGHTS

- ▶ Online transfer accounts for five per cent and three per cent of total payment volume and value, respectively.
- ▶ Online transfer continued to be the fastest-growing payment method with year-over-year volume growth of 26 per cent, and value growth of 30 per cent.
- ▶ For the first time ever, online transfer value exceeded the value of debit card payments (\$325 billion versus \$273 billion).
- ▶ The average online transfer transaction value was \$323.
- ▶ *Interac* e-Transfer is extremely popular among Canadians, with over 960 million transactions sent in 2021, representing a 26 per cent increase in transaction volume from 2020.
- ▶ PayPal transaction volumes and values also increased in the past year, rising to 46 million transactions worth \$3.7 billion in 2021. PayPal's transaction volumes and values increased by 24 per cent and 32 per cent respectively from 2020.
- ▶ The main reasons Canadians use online transfers are speed, convenience and the ability to use their own funds.

Online transfer

Online transfers include electronic transactions initiated through online services and providers, which are either pre-funded or linked to a deposit account held at a Canadian financial institution. The two most familiar examples are *Interac* e-Transfer and PayPal.

In 2021, there were a total of one billion online transfer transactions worth \$325 billion. Online transfers accounted for five per cent of the total volume of payments in Canada, and are the fastest growing payment method.¹⁷¹ Online transfers grew substantially, up 26 per cent in volume and 30 per cent in value in 2021. Its five-year compound annual growth rate for volume and value were 42 per cent and 36 per cent respectively¹⁷² (see **Table 11: Top five drivers of online transfer use**).

Interac e-Transfer continued to dominate the online transfer payments segment in Canada. In 2021, one-in-two Canadians (51 per cent) sent at least one *Interac* e-Transfer payment in the past month, with 58 per cent of senders using their mobile banking application to do so.¹⁷³ *Interac* e-Transfer is extremely popular among Canadians, with over 960 million *Interac* e-Transfers being sent in 2021, representing a 26 per cent increase in transaction volume from 2020.¹⁷⁴ The average number of *Interac* e-Transfer transactions per user in 2021 increased by 18 per cent to 33 transactions from last year. The average transaction amount sent increased by four per cent to \$336 from a year ago.¹⁷⁵

Interac e-Transfer is used primarily for peer-to-peer transactions; 72 per cent of Canadians who used *Interac* e-Transfer paid family members and friends.¹⁷⁶ Forty-five per cent of Canadians who used *Interac* e-Transfer paid a business or a bill (often rent and home services such as daycare, tutoring fees or

contractors).¹⁷⁷ Canadians perceive online transfer payments to be easier, convenient and faster than other payment methods.¹⁷⁸

Over half of Canadians (59 per cent) who use *Interac* e-Transfer perceive it to be safe and secure, and 70 per cent of Canadians who have ever sent money prefer using *Interac* e-Transfer as their payment method.¹⁷⁹ The biggest frustration faced by *Interac* e-Transfer users when sending money to their family members and friends is having to create a security question and password for the recipient to access the money (22 per cent), although this pain point is mitigated by the auto deposit feature of this service.¹⁸⁰ Thirteen per cent of *Interac* e-Transfer users indicated limits on the amount that you can transfer, and 10 per cent report not getting confirmation that the money went to the right person or account as their biggest frustration when sending money.¹⁸¹

As reported in the 2021 Canadian Payment Methods and Trends report, the COVID-19 pandemic led to a surge in *Interac* e-Transfer volume sent in 2020. This momentum has carried over in 2021 with 26 per cent year-over-year growth in *Interac* e-Transfer transaction volume. In 2021, 31 per cent of consumers reported using *Interac* e-Transfers more compared to 25 per cent in 2020 since the COVID-19 pandemic started.¹⁸²

Canadians favoured using *Interac* e-Transfers over cash and cheque for P2P transactions due to convenience, ongoing concerns of virus transmission and the expanded payment use cases discovered by consumers and merchants during the first year of the pandemic. Online transfers are used for cost splitting for purchases, sending money to friends or family members in need (33 per cent) and paying for purchases in online marketplaces (24 per cent).¹⁸³ The growth in the number of first-time *Interac* e-Transfer users in 2020 translated into

¹⁷¹ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁷² Ibid.

¹⁷³ Ibid.

¹⁷⁴ Figures provided by Interac.

¹⁷⁵ Ibid.

¹⁷⁶ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁷⁷ Ibid.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ Ibid.

¹⁸¹ Ibid.

¹⁸² Ibid.

¹⁸³ Figures provided by Interac. For more, see: <https://www.interac.ca/en/content/news/half-of-gen-z-and-millennial-canadians-are-more-concerned-about-managing-their-finances-amid-covid-19/>.

an increase in the number of repeat users in 2021. Fifty-two per cent of Canadians are now as comfortable paying a small business by *Interac* e-Transfer as by other payment methods.¹⁸⁴

Interac launched *Interac* e-Transfer for Business in Q3 of 2021. This new service enables businesses to send real-time digital payments to personal and commercial bank accounts with confirmation of funds received within seconds.¹⁸⁵

PayPal transaction volumes and values also increased in the past year, rising to 46 million transactions worth \$3.7 billion in 2021. PayPal's transaction volumes and values increased by 24 per cent and 32 per cent respectively from 2020.¹⁸⁶ About two-in-five Canadians with a PayPal account (43 per cent) made at least one PayPal online transfer transaction in the past month. The average monthly volume and value of PayPal transactions per user in 2021 was 3.4 and \$180 respectively.¹⁸⁷

Besides offering consumers the ability to send and request money, PayPal also provides a way for Canadians to make online purchases. PayPal remained the second most popular online payment method after credit card, with 20 per cent of Canadians reporting having used PayPal to make an online purchase within the past month in 2021.¹⁸⁸ This figure increases to 40 per cent among Canadians who have a mobile wallet.¹⁸⁹

¹⁸⁴ Figures provided by *Interac*. For more see: <https://www.interac.ca/en/content/news/fuel-for-economic-recovery-canadians-want-to-support-local-businesses-in-their-communities-and-half-are-willing-to-pay-more-if-needed/>.

¹⁸⁵ *Ibid.* For more see: <https://www.interac.ca/en/content/news/interac-and-many-of-canadas-leading-financial-institutions-enhance-interac-e-transfer-to-introduce-instant-digital-payments-for-businesses/>.

¹⁸⁶ Figures provided by Statista. For more see: <https://www.statista.com/statistics/218495/paypals-net-number-of-payments-per-quarter/> and <https://www.statista.com/statistics/277841/paypals-total-payment-volume/>.

¹⁸⁷ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

¹⁸⁸ *Ibid.*

¹⁸⁹ *Ibid.*

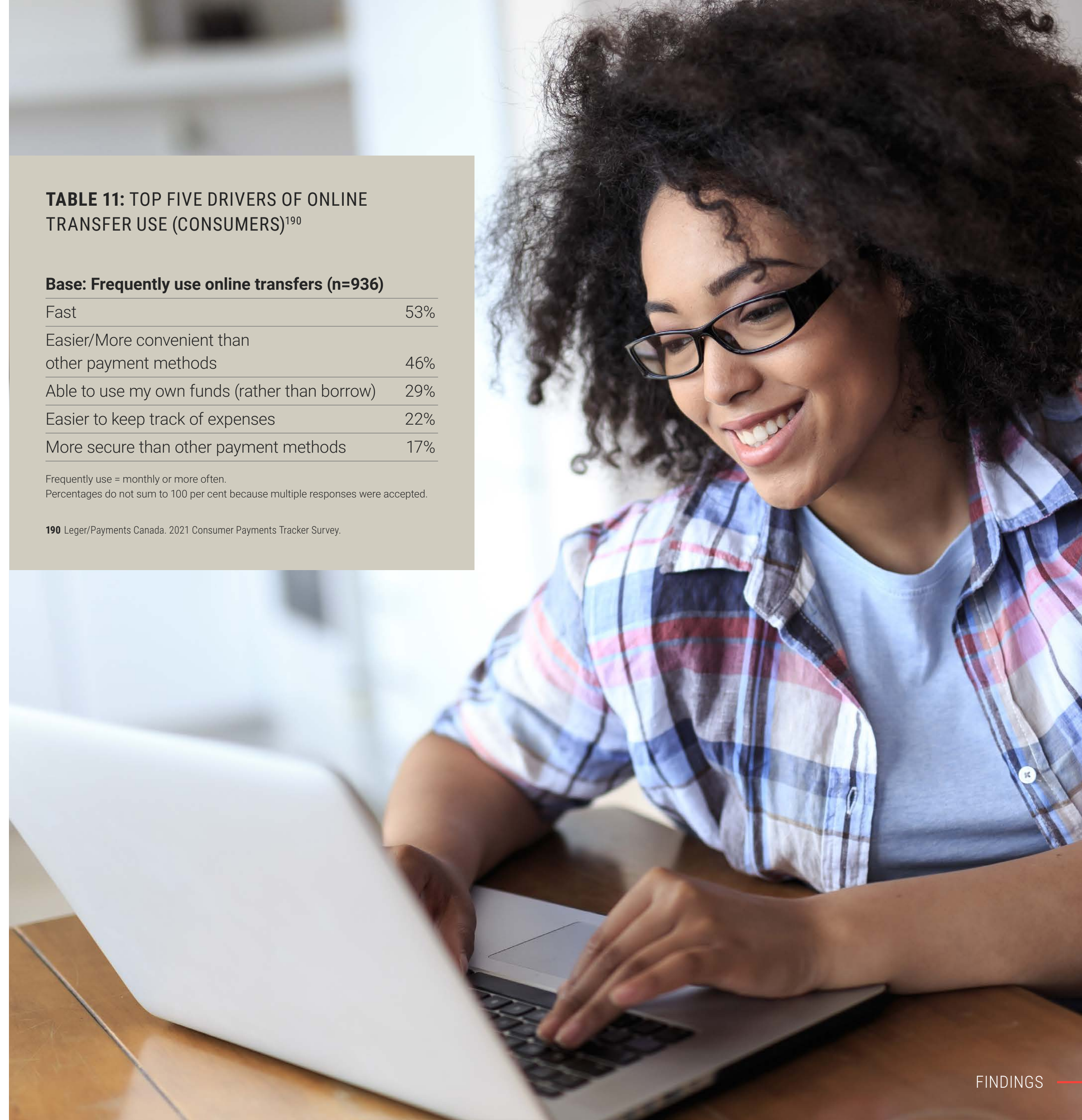
TABLE 11: TOP FIVE DRIVERS OF ONLINE TRANSFER USE (CONSUMERS)¹⁹⁰

Base: Frequently use online transfers (n=936)

| | |
|---|-----|
| Fast | 53% |
| Easier/More convenient than other payment methods | 46% |
| Able to use my own funds (rather than borrow) | 29% |
| Easier to keep track of expenses | 22% |
| More secure than other payment methods | 17% |

Frequently use = monthly or more often.
Percentages do not sum to 100 per cent because multiple responses were accepted.

¹⁹⁰ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.



2021 HIGHLIGHTS

- ▶ The average number of international payments per month made by Canadians went down from 7.0 to 5.3.
- ▶ The total average payment value increased to \$1,156 from \$748 CAD last year.
- ▶ Overall, Canadians still prefer using their main bank or credit union for sending money internationally, particularly among older Canadians (55+). PayPal and online providers (e.g., Wise, Western Union) remained the top choices for young Canadians (18 – 34).

International payments

Although most Canadians do not send money internationally on a regular basis, a trend which has not changed over the past year, the majority of Canadians that do regularly send money internationally choose to use their primary bank or credit union to initiate these transactions.

Alternative methods for sending money internationally, such as digital currencies and social media platforms, are not widely used; this may be due to a lack of awareness, access or trust in the entities offering these services.

Seventeen per cent of Canadians sent money internationally on a regular basis, up slightly from 15 per cent a year ago.¹⁹¹ The average number of international payments made by Canadians in a month went down from 7.0 to 5.3, while the total average payment value increased to \$1,156 from \$748 CAD last year.¹⁹² The United States remains the most popular international destination for Canadians, followed by India and the United Kingdom.¹⁹³

The top three methods used to send money internationally remain unchanged with a bank or credit union ranking first (27 per cent), followed by PayPal (23 per cent), and online providers such as Western Union or Wise (19 per cent).¹⁹⁴ The number of Canadians who mainly use their bank or credit union to send money internationally increased compared to a year ago (38 per cent in 2021 compared to 33 per cent in 2020).¹⁹⁵ Financial institutions continue to be perceived as the safest, most secure and convenient method for sending money internationally.¹⁹⁶

Older Canadians (55+) preferred to use their primary bank or credit union to send money abroad, unchanged from last year, due to perceived convenience, safety and security.¹⁹⁷ PayPal and online providers remained the top choices for

young Canadians (18 – 34), who cite low transaction fees, ease of keeping track of payments, security and convenience as key factors.¹⁹⁸

Most Canadians cite the high cost of transactions as their single biggest challenge when sending money abroad, with 28 per cent of Canadians identifying this as their main issue. This aligns with last year's findings. Costs associated with unexplained fees and currency exchange rates are major pain points for most Canadians.¹⁹⁹ Besides the high cost of transactions and extra fees, young Canadians are significantly more frustrated with the procedural complexity (16 per cent) and regulatory requirements (16 per cent) compared to older Canadians. Older Canadians are significantly more likely to be frustrated by not receiving confirmation that the money was sent to the right account (18 per cent) than younger Canadians (five per cent).²⁰⁰

Three-quarters of all Canadians are not interested in using digital currencies (i.e., Bitcoin) to send money abroad. However, young Canadians would be more likely to use digital currencies if it were less expensive than other methods.²⁰¹ About three-in-ten young Canadians (29 per cent) would likely use digital currencies to send money abroad if it was cheaper than other methods, compared to 13 per cent of older Canadians.

Over two-in-five Canadian businesses (43 per cent) sent money internationally in the past 12 months, up from 29 per cent last year. Convenience and security are the primary drivers when choosing an international money transfer service. Banks or credit unions remain the primary method used by businesses to send money abroad (50 per cent).²⁰²

The number of businesses sending money internationally is increasing overall, driven by SMEs (businesses with an annual revenue between \$0 and

¹⁹¹ Leger/Payments Canada 2021 Consumer Payments Tracker Survey.

¹⁹² Leger/Payments Canada 2021/2022 Canadian Consumer Payments and Transactions Survey.

¹⁹³ Leger/Payments Canada 2021 Consumer Payments Tracker Survey.

¹⁹⁴ Ibid.

¹⁹⁵ Ibid.

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.

¹⁹⁸ Ibid.

¹⁹⁹ Ibid.

²⁰⁰ Ibid.

²⁰¹ Ibid.

²⁰² Leger/Payments Canada 2021 Business Payments Tracker Survey. (Note: excludes "don't know" mentions).

\$10 million). The number of SMEs sending money internationally increased by 36 per cent, while the number of commercial businesses (businesses with an annual revenue between \$10 million and \$500 million) sending money internationally declined by 20 per cent compared to a year ago.²⁰³ This increase in the number of SMEs sending money internationally may be indicative of more SMEs expanding their operations globally, or sourcing from suppliers outside of Canada.

The United States remains the most popular destination for sending money abroad for Canadian businesses. Small and medium-sized enterprises (SMEs) are more likely than larger-sized businesses to send money internationally to a number of different countries and regions. Commercial businesses primarily send money internationally to the U.S. and China.²⁰⁴

Overall, banks or credit unions remain the most popular method of sending money abroad for businesses. However, the number of commercial businesses that prefer using their main bank or credit union to send money internationally decreased by 24 per cent from a year ago.²⁰⁵ Just under one-in-two commercial businesses (47 per cent) prefer using their bank or credit union. At the same time, the number of commercial businesses that prefer using online providers increased by 164 per cent from a year ago. Just under three-in-ten commercial businesses (29 per cent) prefer using online providers to send money internationally.²⁰⁶ Commercial businesses may prefer using online providers such as Western Union or Wise because they are secure, less expensive, and can be quicker in some cases, than going through banks or credit unions. Close to nine-in-ten commercial businesses (86 per cent) send money abroad frequently (i.e., monthly or more often), which could increase their interest in money transfer service options.²⁰⁷ Two factors, trust in the payment services provider and speed, are important drivers for commercial businesses in selecting how to send money internationally. Visa Direct and Mastercard Send are perceived to be established, trusted payment services providers.

For more information on international payments and global cross-border enhancements, see the **Advancing Cross-Border Payments** feature.

²⁰³ Leger/Payments Canada 2021 Business Payments Tracker Survey.

²⁰⁴ Ibid.

²⁰⁵ Ibid.

²⁰⁶ Ibid.

²⁰⁷ Ibid.



2021 HIGHLIGHTS

- ▶ Close to three out of five Canadian consumers (58 per cent) made an online purchase in the past month.²⁰⁸
- ▶ The impact of the COVID-19 pandemic continued to be observed in the types of products and services Canadians purchased online. The top categories of online purchases in 2021 were clothing, household items, restaurants/fast food, groceries and electronics.
- ▶ Credit cards continued to be the preferred method of payment for e-commerce transactions at 58 per cent followed by PayPal at 20 per cent. This is unchanged from last year.

²⁰⁸ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

The e-commerce environment

E-commerce refers to the use of web-based store fronts and applications via computers or mobile devices (e.g., smartphone, tablet) to obtain goods and services from merchants. In 2021, e-commerce payment transactions totalled 500 million transactions worth \$63 billion in Canada, up five per cent in volume and 12 per cent in value from 2020.²⁰⁹

Overall, total retail sales in Canada continued to be influenced by the COVID-19 pandemic. In addition to a gradual return to in-store shopping, e-commerce continued to be a viable and appealing option for consumers. E-commerce sales accounted for 6.2 per cent of retail sales in 2021, up from a share of 6.1 per cent in 2020.²¹⁰ The value of e-commerce sales transactions in 2021 were double that in 2020 for the first three months of the year.²¹¹ Canadians, in general, are spending an average of \$222 each month online, down slightly from \$250 a year ago.²¹² Credit cards continued to account for the largest share of e-commerce purchases at 58 per cent, followed by PayPal at 20 per cent in 2021, unchanged from last year (see **Figure 3: e-commerce payment mix** for more).²¹³

Canadians are generally satisfied when it comes to their payments experience buying online. Almost half of all consumers (49 per cent) are satisfied with the time it takes to execute the payment when making a payment through a website or payment app.²¹⁴ Similarly, 51 per cent of Canadians are satisfied with the time it takes the website or payment app to approve the transaction when purchasing online.²¹⁵ Only 12 per cent of Canadians were not able to use their preferred payment method while shopping online.²¹⁶ Overall, 77 per cent of consumers rate their experience with purchasing something online in

²⁰⁹ TSI Canadian Payments Forecast, 2022.

²¹⁰ Statistics Canada. Retail trade, December 2021. For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220218/dq220218a-eng.htm>.

²¹¹ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220218/dq220218a-cansim-eng.htm>.

²¹² Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

²¹³ Ibid.

²¹⁴ Ibid.

²¹⁵ Ibid.

²¹⁶ Ibid.

Canada as easy, compared to 44 per cent for purchasing something from an international website.²¹⁷

Some Canadians have concerns over payment fraud when buying online. Thirty per cent of Canadians agree that since the COVID-19 pandemic started, they have noticed an increase in fraudulent, cybercriminal or suspicious activity directed at them through online retail merchant sites (e-commerce sites or apps).²¹⁸ In general, 41 per cent of Canadians are less comfortable with sharing their personal information with e-commerce sites or apps. The majority of Canadians are comfortable with making an online or in-app purchase with 84 per cent of Canadians saying that their comfort level is either the same or higher since the start of the pandemic.²¹⁹ Consumers are being more proactive to protect themselves from payment fraud when buying online. Two-thirds of all Canadians (66 per cent) regularly take the time to check the website and its reputation, choosing only trusted sites when making online purchases.²²⁰

When it comes to online payment authentication, many Canadians are comfortable with biometric authentication (e.g., fingerprint or facial scan, voice recognition) to authenticate a payment transaction at a merchant website. Thirty-seven per cent of Canadians are comfortable using this option, while 24 per cent of Canadians are not at all comfortable.²²¹ Young Canadians (18 – 23) are significantly more likely than other age groups to be comfortable with using biometric payment authentication (48 per cent) at a merchant website.²²²

The impact of the COVID-19 pandemic continued to be observed in the types of products and services Canadians purchased online. The top categories

²¹⁷ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

²¹⁸ Ibid.

²¹⁹ Ibid.

²²⁰ Ibid.

²²¹ Ibid.

²²² Ibid.

of online purchases in 2021 were clothing, household items, restaurants/fast food meals, groceries and electronics (products that were typically purchased in-store pre-pandemic), while purchases in other categories such as travel and entertainment remained at low levels.²²³ Thirty-three per cent of Canadians reported using delivery services (e.g., Uber Eats, Foodora, Instacart, etc.) more often during the pandemic, up from last year's figure of 29 per cent.²²⁴

Even once the pandemic is over, 70 per cent of Canadians still expect to shop online for goods typically purchased in-store pre-pandemic, such as clothing, shoes, accessories, entertainment, toys and games.²²⁵ This indicates that Canadians think of online shopping "not as an alternative, but an extension and enhancement of their in-store experience."²²⁶

Most online purchases by Canadians were still made via merchant websites (e.g., Amazon.ca or Walmart.ca), followed by in-app purchases through a mobile device.²²⁷ Online purchases made through gaming consoles continued to trail these two channels.²²⁸ Close to two-thirds of all Canadians (63 per cent) who made an online purchase in the last month did so by using their computer/laptop or mobile device to access online merchant web pages, compared to 46 per cent in 2020.²²⁹

The number of Canadians who made in-app purchases in the last month remained the same as last year at 21 per cent, while those who made an online purchase using their gaming consoles slightly declined from 10 per cent in 2020 to eight per cent in 2021.²³⁰ The use of smart devices (e.g., Alexa, Google Home, Apple Siri) to place an online order or initiate a payment in the last month is relatively low with only 10 per cent of Canadians indicating they have used this type of service.²³¹

²²³ TSI Canadian Payments Forecast, 2022.

²²⁴ Leger/Payments Canada. 2021 Consumer Payments Tracker Survey.

²²⁵ For more, see: <https://newsroom.ca.paypal-corp.com/SoftMoc>.

²²⁶ Ibid.

²²⁷ Leger/Payments Canada. 2021 Canadian Consumer Payments and Transactions Survey.

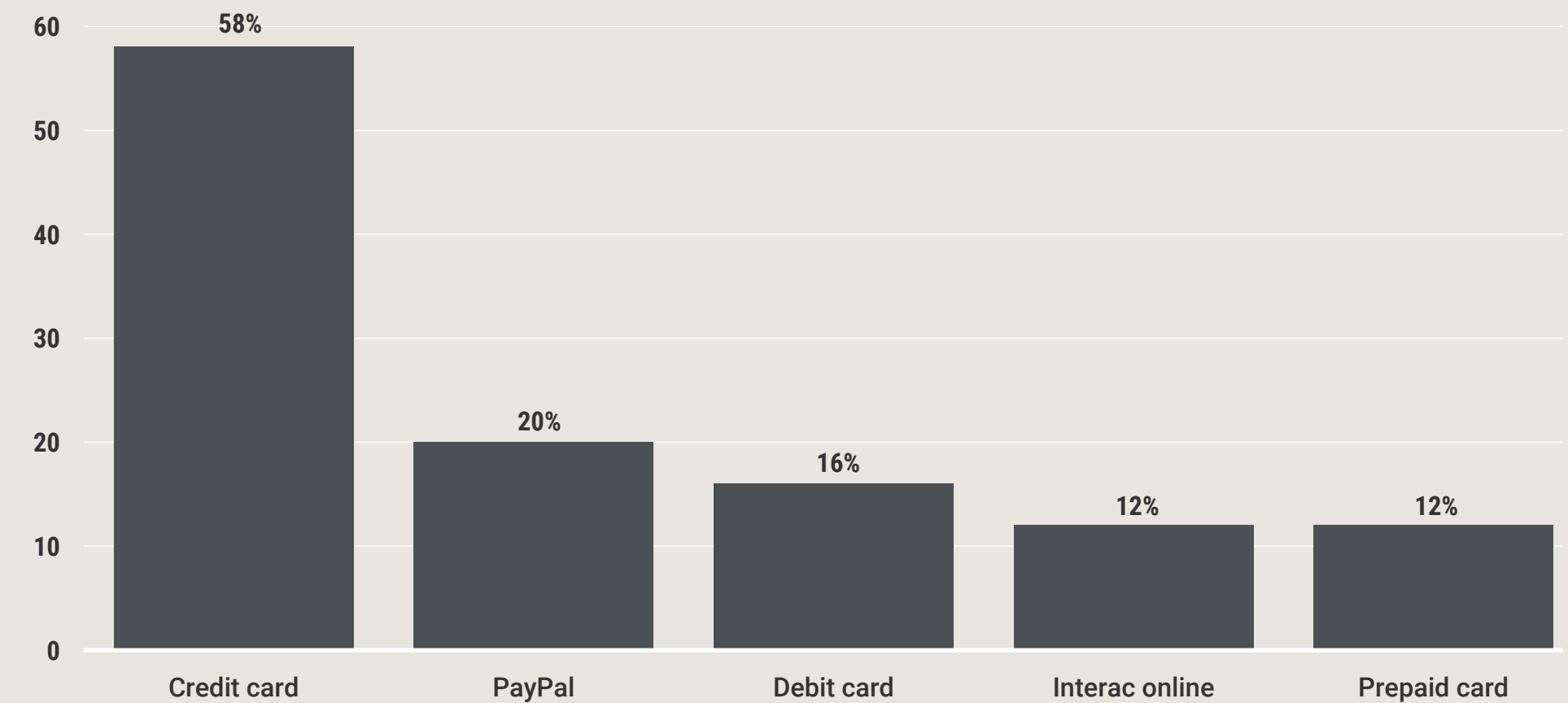
²²⁸ Ibid.

²²⁹ Ibid.

²³⁰ Ibid.

²³¹ Ibid.

FIGURE 3: E-COMMERCE PAYMENT MIX*



* Payment methods used by Canadians for online purchases in the last month (2021).





Digital currencies

While most Canadians have an awareness of digital currencies,²³² interest and use of these currencies is still in its infancy. The majority of Canadians (90 per cent) have never used digital currencies such as Bitcoin and Ethereum.²³³

Over half of all Canadians (55 per cent) are not interested in using digital currencies to send money to other people or businesses,²³⁴ and 79 per cent are unlikely to use digital currencies to send money abroad.²³⁵ Canadians' expressed lack of interest in using digital currencies for payments may be due to a lack of understanding on how to access and use digital currencies, as well as perceptions around safety and security. Twenty-two per cent of Canadians do not use digital currencies because they don't know enough or are unsure how to use digital currencies, while 48 per cent of Canadians do not perceive digital currencies to be a secure payment method.²³⁶

For Canadians actively using digital currencies, the preferred options are Bitcoin, Ethereum and Dogecoin.²³⁷ Most Canadians that use digital currencies do so as a form of speculative investment

(due to volatility) as well as because of the appeal of being part of something innovative.²³⁸ Other reasons for using digital currencies include the appeal of a decentralized payment system, privacy and being able to transact outside of the traditional banking system.²³⁹ Younger Canadians are more likely than older Canadians to have an interest in, and use digital currencies for investment purposes²⁴⁰ or as a means of transferring funds.²⁴¹

Of the platforms that are available to Canadians for trading and storing digital currencies, Coinbase, Binance and Crypto.com remain the most popular, with Canadian-based Shakepay as number four as of January 2021.²⁴² Other Canadian-based exchanges, Bitbuy and Newton, are also gaining popularity, reflecting a desire of Canadian consumers to use domestic platforms. Canadian-based investment management platform WealthSimple is also looking to serve the domestic digital currencies market with the launch of WealthSimple Crypto, which offers no-fee trading of digital currencies.²⁴³

²³² Digital currencies specifically refers to cryptocurrencies (for example: using Bitcoin, Ethereum, Z-Cash, Dash, Ripple, etc.).

²³³ Leger/Payments Canada 2021 Consumer Payments Tracker Survey.

²³⁴ Leger/Payments Canada 2021/2022 Canadian Consumer Payments and Transactions Survey.

²³⁵ Leger/Payments Canada 2021 Consumer Payments Tracker Survey.

²³⁶ Ibid.

²³⁷ For more, see <https://www.capterra.ca/blog/2409/crypto-trends-in-canada>.

²³⁸ Ibid.

²³⁹ Ibid.

²⁴⁰ Ibid.

²⁴¹ Leger/Payments Canada 2021 Consumer Payments Tracker Survey.

²⁴² For more, see <https://www.statista.com/statistics/1223680/most-popular-cryptocurrency-wallets-canada/>.

²⁴³ For more, see <https://www.wealthsimple.com/en-ca/product/crypto>.

ADVANCING CROSS-BORDER PAYMENTS

By: Pooja Paturi

As seen in the [payments landscape](#) section, the COVID-19 pandemic has accelerated and shifted payment habits and methods for the long term. Globalization and extension of industries across jurisdictions also played a role in driving the use of cross-border payments. Whether businesses were aiming to find new suppliers in new regions during the pandemic, sending money overseas with travel restrictions in place, or even online purchases from international websites, the COVID-19 pandemic shone a light on cross-border payments.

The global volume for cross-border payments is estimated to be above \$150 trillion and continues to grow as use cases for cross-border payments evolve.²⁴⁴ This market consists of three segments – retail, wholesale and remittance payments (see [Table 12: Key cross-border segments](#) for definitions).

The G20 has prioritized collective global enhancements to cross-border payments to address common issues such as lack of transparency, limited access, high costs and slow transaction speed.

To address these frictions, the Financial Stability Board (FSB) and Committee for Payments Market Infrastructure (CPMI), working alongside other regulatory bodies, released a roadmap consisting of 19 building blocks with five key focuses across all segments of cross-border payments:

1. To commit to a joint public and private sector vision to enhance cross-border payments.
2. To coordinate with regulatory, supervisory and oversight frameworks.
3. To improve existing payment infrastructures and arrangements to support the requirements of the cross-border payments market.
4. To increase data quality and straight-through processing by enhancing data and market practices.
5. To explore the potential role of new payment infrastructures and arrangements (i.e., digital currencies).²⁴⁵

²⁴⁴ For more, see: [How New Entrants are Redefining Cross-Border Payments](#), EY, 2021.

²⁴⁵ For the full roadmap and details on building blocks, see: [Enhancing Cross-Border Payments: Stage 3 Roadmap](#).

TABLE 12: KEY CROSS-BORDER SEGMENTS²⁴⁶

| | |
|---|---|
|  | <ul style="list-style-type: none"> ▶ Typically low-value and high-volume, although some corporate B2B payments can be of similar size to wholesale transactions. ▶ Includes cross-border traditional commerce and e-commerce (both P2B/ B2P and B2B), tourism, payment of bills to a provider abroad, cross-border electronic transfers and peer-to-peer (P2P) payments other than remittances. ▶ Major service providers include international card schemes, commercial banks and non-bank P2P payment service providers. |
|  | <ul style="list-style-type: none"> ▶ The majority of the total cross-border payments market by value. ▶ Typically high-value and low-volume. ▶ Typically bank-to-bank payments, via correspondent banking.²⁴⁷ ▶ Major service providers include central bank owned and operated large-value payment systems, privately operated large-value payment systems, messaging network providers, multi-currency settlement systems and major correspondent banks. |
|  | <ul style="list-style-type: none"> ▶ Typically low-value and high-volume (in similar fashion to many transactions in the retail category above) and primarily (though not exclusively) to receivers in Emerging Markets and Developing Economies (EMDEs). ▶ Major service provider examples include international money transfer operators, commercial banks, post offices and mobile money operators. |

²⁴⁶ Characteristics based on definitions provided by the FSB. Please see: **The G20 Roadmap for Enhancing Cross-Border Payments – First Consolidated Progress Report.**

²⁴⁷ Correspondent banking is one of the most popular methods for cross-border transactions. It involves an arrangement under which one bank (correspondent) holds deposits owned by other banks (respondents) from other countries and provides payment and other services to those respondent banks.

Despite G20 interest and endorsement, the creation of a global roadmap and established targets for the defined building blocks, there are several barriers to achieving enhanced cross-border payments. Since the roadmap is global, there are jurisdiction-specific issues that must be considered that are too granular to capture in the general building blocks. While regulatory bodies like central banks and payment system operators have been assigned to lead in their respective jurisdictions, there is still the question of achieving public-private sector harmony (one of the identified focus areas) and ensuring the private sector efforts support cross-border enhancements, whether they are directly responding to the FSB/CPMI roadmap or not. Without alignment, there is the possibility of an even more fragmented cross-border landscape.

In recent years, we have seen many private sector players like Wise and PayPal successfully addressing frictions in cross-border payments and offering less

expensive and faster cross-border payments relative to traditional cross-border methods.²⁴⁸ As payments continue to digitize at an accelerating rate, additional alternatives to traditional cross-border payments are anticipated to emerge such as the use of blockchain and/or digital currencies to address known frictions. Incumbent financial institutions may also take advantage of emerging solutions. In 2022, CIBC, one of the largest providers of cross-border payments in Canada, announced they would partner with Ripple and leverage Ripple's blockchain-based solution for cross-border payments.²⁴⁹ This type of relationship has been observed in other jurisdictions including the U.S.

Looking from the viewpoint of both the public and private sectors, existing cross-border frictions are well-documented. It will be interesting to see what solutions evolve to address the collective challenges facing cross-border payments.

²⁴⁸ For more, see: **Wise** and **PayPal** offerings.

²⁴⁹ For more, see: **Ripple's Array of Partners Expands as CIBC, National Bank of Australia Join RippleNet.**

BUSINESS PAYMENTS

The Canadian business landscape largely consists of small and medium enterprises (SMEs) representing 98 per cent of total businesses operating within Canada.²⁵⁰ Understanding their payment behaviour is key to understanding what drives the volumes of business payments. However, SMEs only account for 21 per cent of total business expenditure.²⁵¹ On the other hand, mid-market businesses represent two per cent of Canadian businesses, but account for 43 per cent of total business expenditure.²⁵² Large companies account for less than one per cent of Canadian businesses, but account for 35 per cent of total business expenditure (see [Figure 4: Business classifications in Canada](#)).²⁵³

The pandemic continued to impact how SMEs made and accepted payments from their customers in 2021. Notably, *Interac* e-Transfer payments increased while cash and cheque payments decreased among SMEs. Over one third of large SMEs²⁵⁴ (36 per cent) were using *Interac* e-Transfers more for making payments, while 47 per cent and 24 per cent of SMEs were respectively using cash and cheques less than before for making payments.²⁵⁵ At the same time, they were accepting *Interac* e-Transfer and PayPal payments more often than before. Twenty-nine per cent and 14 per cent of SMEs were accepting *Interac* e-Transfer and PayPal payments respectively from their customers more often over the past six months.²⁵⁶

In 2021, EFT, credit card and cheque payments continued to account for the largest proportion of spend for SMEs. Likewise, EFT and credit card payments led the way based on share of total spend for mid-market businesses. However, the share of spend held by cheque payments declined by 54 per cent from last year and accounted for

six per cent of total mid-market business expenditure in 2021 (see [Figure 5: Business payment mix](#)).²⁵⁷ The year-over-year decrease in the value of cheque payments made by mid-market businesses was attributed to increases in EFT, credit and debit cards and cash payments. The share of total payments value for each of these payment instruments increased compared to 2020. The use cases for each payment method differ by business segment, as shown in [Table 13: Most common use cases for business payment methods](#).²⁵⁸

EFT continued to lead all other payment types with a 25 per cent share of total business expenditures, unchanged from 2021.²⁵⁹ In general, businesses tend to use EFT for payroll disbursements, government payments and recurring expenses (e.g., utilities, insurance, rent).²⁶⁰

Business credit cards accounted for 17 per cent of total business expenditures in 2021 (down slightly from 19 per cent in 2020).²⁶¹ The year-over-year decrease in the value of business credit card payments was attributed to gains made by business debit card, personal credit or debit cards and cash.²⁶² Overall, business credit cards were mainly used to pay for one-time expenses such as office supplies/computer equipment, travel-related and entertainment expenses, and fuel costs.²⁶³

The reasons businesses use credit cards include payment acceptance footprint, rewards, perceived convenience and the ease of payments tracking and remain unchanged from last year.²⁶⁴ Payments tracking is especially vital for SMEs when it comes to managing cash flow. The convenience factor is particularly relevant for employee travel and entertainment.

²⁵⁰ Statistics Canada, Establishment Counts, 2021. SMEs are businesses with an annual revenue between \$0 and \$9.9 million.

²⁵¹ Ibid.

²⁵² Ibid. Mid-market are businesses with an annual revenue between \$10 million and \$500 million.

²⁵³ Ibid. Large-market are businesses with an annual revenue of more than \$500 million.

²⁵⁴ Large SMEs are businesses with an annual revenue between \$500,000 and \$9.9 million.

²⁵⁵ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

²⁵⁶ Ibid.

²⁵⁷ RFI Canadian Business Payments Report, 2021.

²⁵⁸ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

²⁵⁹ RFI Canadian Business Payments Report, 2021.

²⁶⁰ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

²⁶¹ RFI Canadian Business Payments Report, 2021.

²⁶² Ibid.

²⁶³ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

²⁶⁴ Ibid.

Cheques accounted for 11 per cent of total business expenditure in 2021, a considerable drop from 17 per cent in 2020.²⁶⁵ The year-over-year decrease in cheque payments is linked to increases in EFT, credit and debit cards, and cash payments.²⁶⁶ The decline in the share of cheque payments was higher among mid-market businesses compared to SMEs (down 54 per cent versus 26 per cent, respectively).²⁶⁷ A greater number of mid-market businesses switched from cheques to EFT payments to cover business expenses such as payroll, rent and government payments.

Businesses that continue paying their expenses by cheque do so due to wide acceptance, ease of payment reconciliation and supplier preference.²⁶⁸ There are still businesses operating within certain industries (e.g., real estate) that have payment processes based on cheques rather than electronic payment methods.²⁶⁹

²⁶⁵ RFI Canadian Business Payments Report, 2021.

²⁶⁶ Ibid.

²⁶⁷ Ibid.

²⁶⁸ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

²⁶⁹ Ibid.

THE BUSINESS PAYMENT FRAUD EXPERIENCE IN CANADA

Canadian businesses were more likely than consumers to have recently experienced payment fraud (21 per cent compared to 12 per cent respectively) in 2021.²⁷⁰ Requesting money under false pretenses and credit card fraud were the two most common types of payment fraud experienced by businesses.²⁷¹ About one-in-five businesses experienced an unauthorized purchase made on their credit card as a result of someone stealing their credit card information (18 per cent).²⁷²

The majority of businesses (57 per cent) that experienced payment fraud involving money loss were satisfied with the problem resolution outcome. Most payment fraud issues were resolved in less than one week (68 per cent), and businesses were usually fully reimbursed by their bank or credit union (60 per cent).²⁷³ Overall, businesses perceived electronic payment methods to be more secure than paper and card payment methods.²⁷⁴ About one-in-two businesses perceived e-commerce (48 per cent) and mobile (45 per cent) payments to be secure to make payments, and that mobile (48 per cent), in-app (46 per cent), and e-commerce (47 per cent) payments all to be secure ways to receive customer payments.²⁷⁵

In general, businesses feel they are more aware and know how to protect themselves from payment fraud scams since the start of the COVID-19 pandemic. The heightened awareness of payment fraud scams is likely due to the fact that more than a quarter of businesses (27 per cent) reported experiencing a type of payment fraud in 2020. Of those businesses that reported experiencing payment fraud in the last six months, 50 per cent of them experienced it within the last month.²⁷⁶

²⁷⁰ Ibid.

²⁷¹ Ibid.

²⁷² Ibid.

²⁷³ Ibid.

²⁷⁴ Ibid.

²⁷⁵ Ibid.

²⁷⁶ Ibid.

Businesses also indicated that their concern for fraud and cybercrime had impacted their payments behaviour and preferences in 2021. For instance, one-half of all businesses reported that their employees make an effort to check the safety of an e-commerce site and go only with trusted sites when buying online.²⁷⁷ Although cheques are gradually being replaced by digital payment methods for use cases such as bill payments (e.g., rent, professional services), payroll and government payments, some businesses continue to frequently use cheques. A key reason why is because it is perceived to be more secure — i.e., requires countersigning (20 per cent), and has less risk of theft/misuse (16 per cent).²⁷⁸

Even still, businesses have a high level of confidence that they are protected by their bank, credit union or credit card provider when it comes to making payments, and have recourse if they experience payment fraud. Even though they are conscious about fraud and cybercrime risks, 64 per cent of businesses in Canada feel protected by their bank, credit union or credit card provider when it comes to making payments.²⁷⁹

²⁷⁷ Ibid.

²⁷⁸ Modus Research/Payments Canada 2022 Understanding Payment Usage and Attitudes (Business).

²⁷⁹ Leger/Payments Canada. 2021 Business Payments Tracker Survey.

FIGURE 4: BUSINESS CLASSIFICATIONS IN CANADA

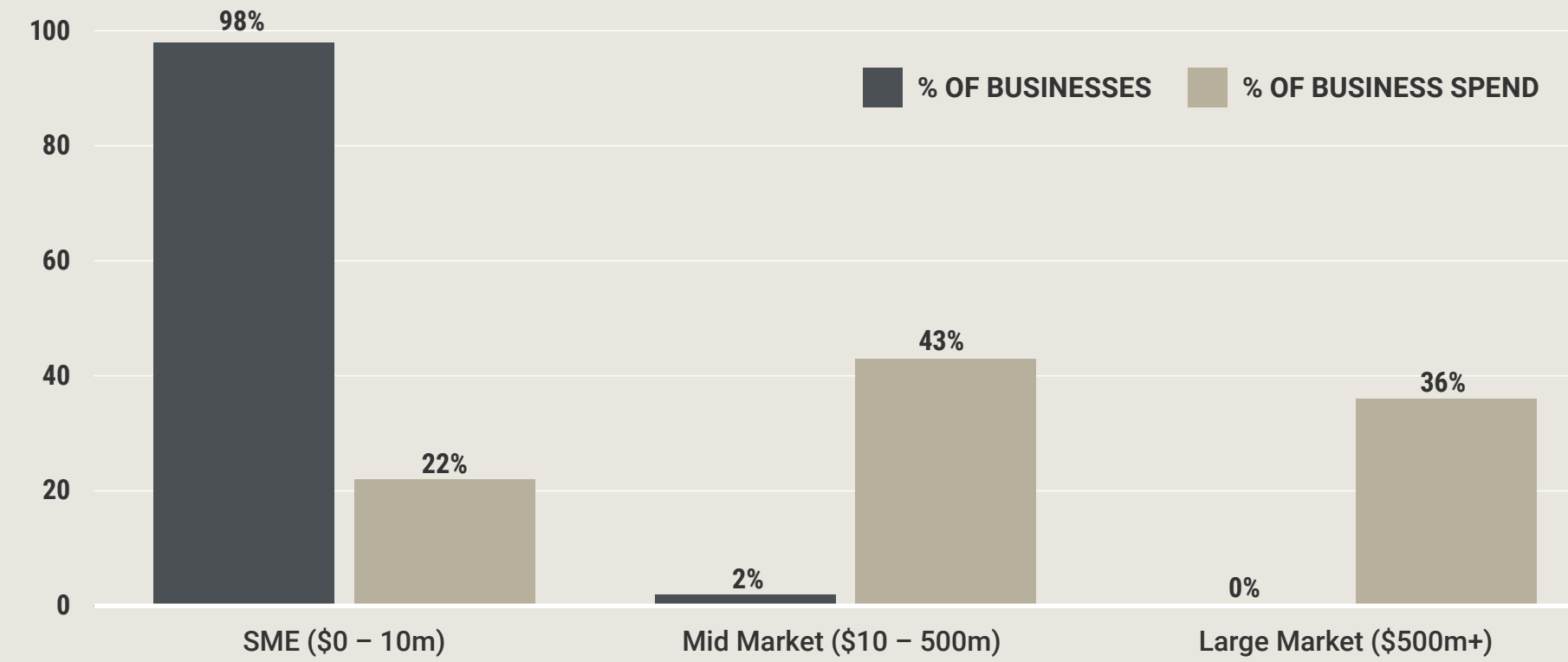


FIGURE 5: BUSINESS PAYMENT MIX

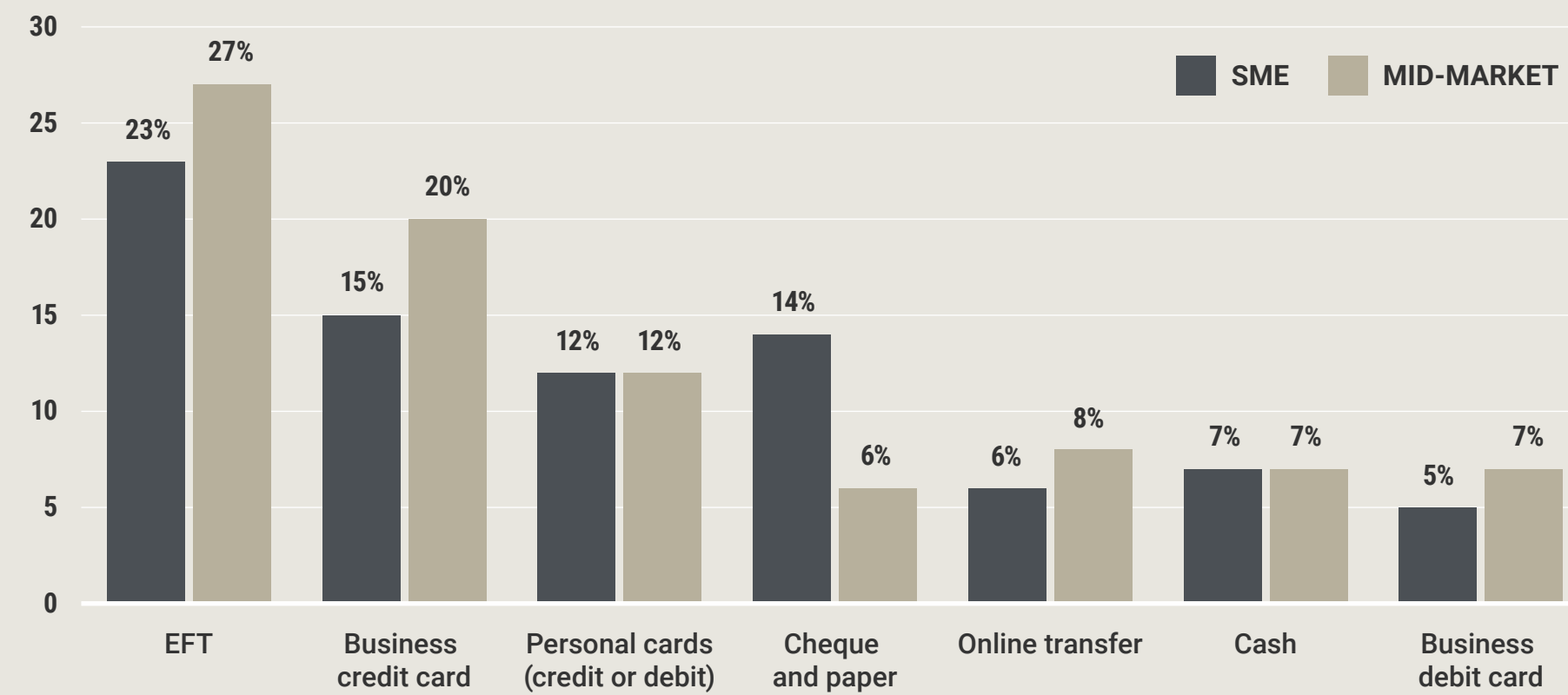





TABLE 13: MOST COMMON USE CASES FOR BUSINESS PAYMENT METHODS²⁸⁰

| Payment method | Small and medium enterprises | Mid-market companies |
|--|---|--|
|  EFT | <ul style="list-style-type: none"> ▶ Payroll ▶ Government payments/taxes ▶ Rent ▶ Utilities/telecommunications ▶ Insurance | <ul style="list-style-type: none"> ▶ Payroll ▶ Insurance ▶ Government payments/taxes ▶ Stock/inventory/raw materials ▶ Utilities/telecommunications |
|  Credit Card | <ul style="list-style-type: none"> ▶ Office supplies/computer equipment ▶ Travel-related expenses ▶ Fuel ▶ Entertainment | <ul style="list-style-type: none"> ▶ Entertainment ▶ Travel-related expenses ▶ Fuel ▶ Office supplies/computer equipment |
|  Cheque | <ul style="list-style-type: none"> ▶ Rent ▶ Government payments/taxes ▶ Payroll ▶ Professional services | <ul style="list-style-type: none"> ▶ Rent ▶ Advertising/media ▶ Professional services ▶ Government payments/taxes ▶ Payroll |

²⁸⁰ These results are based on SME and mid-market companies' responses to which payment method they used to pay various expenses. Numbers do not add up to 100 per cent as less used payment methods (digital remittances, virtual payments, buyer-initiated payments, remittances via counter at branch, line of credit) were excluded from this analysis.

CONCLUSION

In spite of the continuing headwinds faced by the Canadian payments market due to the COVID-19 pandemic, the payments ecosystem benefited the country's economic recovery in 2021. There were a total of 19.7 billion transactions worth \$10.8 trillion conducted in 2021.

Overall, payment trends remained unchanged in 2021 compared to the past five-year period. From a payment volume perspective, credit and debit cards continued to lead the number of transactions, and usage grew. Cash use continued to decline and remained the fourth most used payment method in Canada by volume of transactions. Cash usage may have been impacted by growth of online purchases which increased in volume by five per cent in 2021.²⁸¹

From a payment value perspective, EFT and cheque continued to dominate, combining to represent 87 per cent of total value.²⁸² EFT surged in value compared to a year ago, helped by a return of AFT credit value to its historical level. Cash value grew by 14 per cent year-over-year, mainly driven by a demand for large-denomination notes fueled by the precautionary behaviour of Canadians throughout the pandemic.²⁸³ Cheque transaction value also increased slightly from a year ago, due primarily a seven per cent increase in commercial cheque value from 2020.²⁸⁴

The most significant impact of the pandemic on the Canadian payment industry in the past year has been the confirmation of a "new normal" based on the ongoing acceleration of digital payments usage. Many Canadians switched over to using contactless and digital payments during the first year of the pandemic and have not gone back. These behaviours continued in 2021.

Contactless card, mobile wallet and *Interac* e-Transfer payments all saw increased usage in year one of the pandemic. Canadians also purchased a range of products online more than ever before.

Although online transfers accounted for a small percentage of total payment volume, there was strong growth in this payment method in 2021, largely driven by *Interac* e-Transfer use (up 26 per cent in volume from last year).²⁸⁵ Online transfers surpassed debit cards in terms of transaction value for the first time in 2021.

Finally, in spite of the gradual return to in-store shopping, e-commerce continued to be an appealing purchase option for Canadians. E-commerce sales accounted for 6.2 per cent of retail sales in 2021, slightly up from a share of 6.1 per cent in 2020.²⁸⁶ This result suggests that Canadians continued to buy online even after public health measures were lifted and stores reopened.

As the Canadian economy continues to recover, it is expected that some Canadians will resume their use of cash, but overall, cash usage is expected to continue to decline. Credit card usage will continue to rebound as the economy strengthens and consumers resume the purchase of big ticket items. Debit card usage is also expected to rebound. BNPL is poised to compete with credit. Debit cards remain a popular payment method for both online and point-of-sale purchases. Contactless card, mobile wallet and *Interac* e-Transfer payments are expected to build on the gains made during the pandemic.

²⁸¹ TSI Canadian Payments Forecast, 2022.

²⁸² ACSS data.

²⁸³ For more, see: **Cash and COVID-19: What Happened in 2021**.

²⁸⁴ TSI. Canadian Payments Forecast, 2022.

²⁸⁵ Data from Interac. Figure is based on Interac e-Transfer transaction data from January 1, 2021 – Dec. 31, 2021.

²⁸⁶ Statistics Canada. Retail trade, December 2021. For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220218/dq220218a-eng.htm>.

APPENDIX I: DETAILED PAYMENT SEGMENT CHARTS

FIGURE A1: TOTAL ANNUAL CPMT TRANSACTIONS (VOLUME AND VALUE)

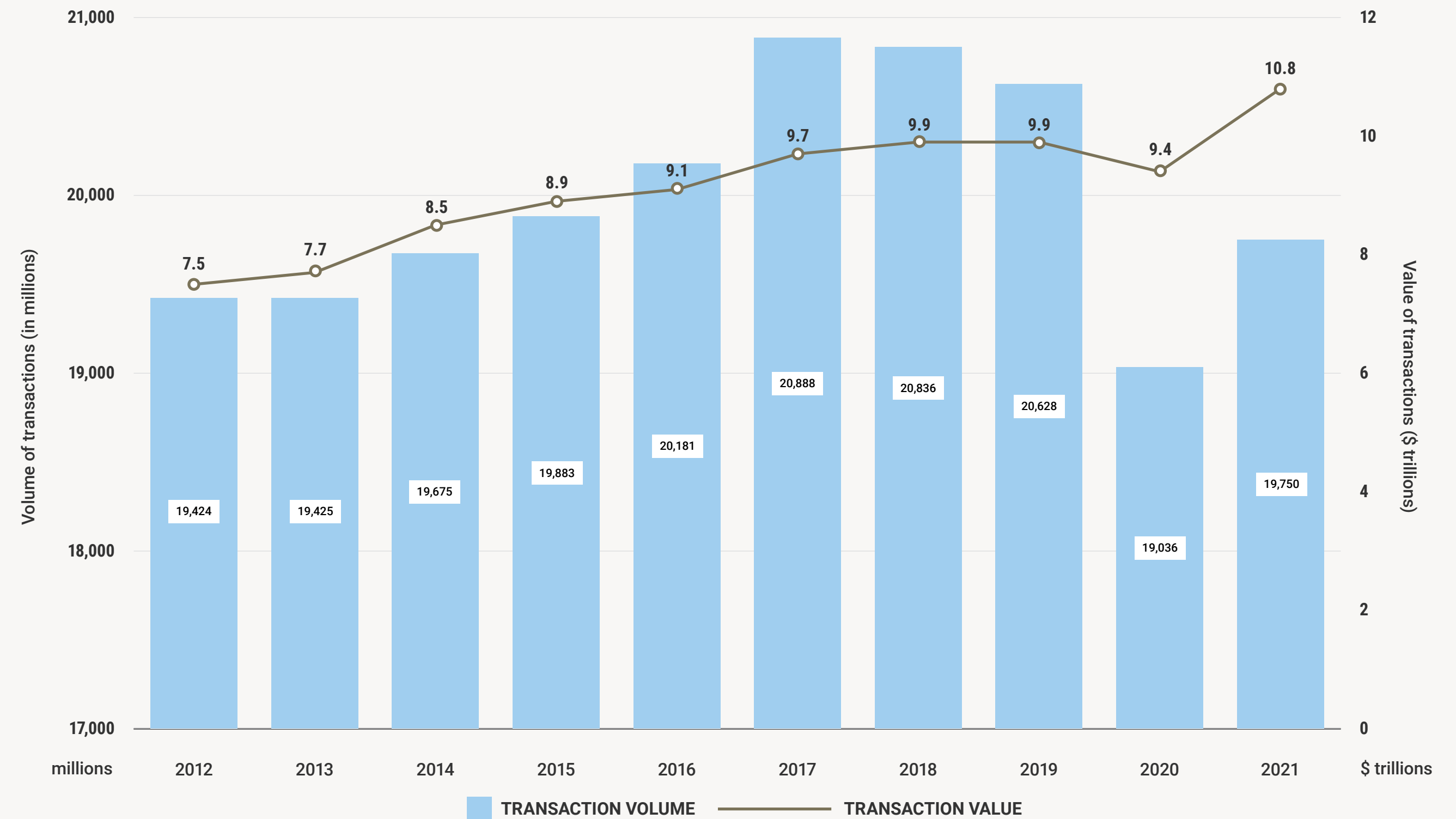


FIGURE A2: ALL PAYMENT METHODS ANNUAL TOTALS

Volume (in millions of transactions)

| Payment method | 2011 | 2016 | 2020 | 2021 |
|------------------|---------------|---------------|---------------|---------------|
| Cheque and paper | 1,187 | 799 | 432 | 404 |
| Debit card | 4,148 | 5,436 | 5,699 | 5,964 |
| ABM | 759 | 563 | 423 | 391 |
| Prepaid card | 148 | 253 | 303 | 294 |
| EFT | 2,124 | 2,631 | 2,908 | 3,081 |
| Credit card | 3,424 | 4,954 | 6,223 | 6,572 |
| Online transfer | 29 | 177 | 801 | 1,007 |
| Cash | 7,718 | 5,369 | 2,247 | 2,038 |
| Totals | 19,536 | 20,181 | 19,036 | 19,750 |

Value (in millions of dollars)

| Payment method | 2011 | 2016 | 2020 | 2021 |
|------------------|------------------|------------------|------------------|-------------------|
| Cheque and paper | 3,648,448 | 3,991,849 | 3,056,371 | 3,281,753 |
| Debit card | 184,038 | 225,661 | 251,731 | 272,819 |
| ABM | 85,062 | 71,424 | 44,826 | 55,152 |
| Prepaid card | 9,930 | 14,895 | 17,884 | 17,633 |
| EFT | 2,868,755 | 4,167,111 | 5,147,089 | 6,225,588 |
| Credit card | 391,198 | 472,954 | 564,210 | 591,301 |
| Online transfer | 9,659 | 68,755 | 249,123 | 324,790 |
| Cash | 128,034 | 104,395 | 51,347 | 58,415 |
| Totals | 7,325,122 | 9,117,045 | 9,382,582 | 10,827,451 |

FIGURE A3: AVERAGE TRANSACTION SIZE

| Payment method | 2016 | 2020 | 2021 | % Change (YOY) |
|-----------------------------|--------------|--------------|--------------|----------------|
| Cheque and paper | \$4,999 | \$7,075 | \$8,123 | 15% |
| Debit card | \$41 | \$44 | \$46 | 4% |
| ABM | \$127 | \$106 | \$141 | 33% |
| Prepaid card | \$59 | \$59 | \$60 | 1% |
| EFT | \$1,584 | \$1,770 | \$2,021 | 14% |
| Credit card | \$97 | \$91 | \$90 | -2% |
| Online transfer | \$388 | \$311 | \$323 | 4% |
| Cash | \$19 | \$23 | \$29 | 25% |
| Average payment size | \$446 | \$493 | \$548 | 11% |

FIGURE A4: ALL PAYMENT METHODS AVERAGE ANNUAL GROWTH VOLUME (ONE, FIVE AND 10 YEAR CAGR)

Volume (1, 5 and 10 year CAGR)

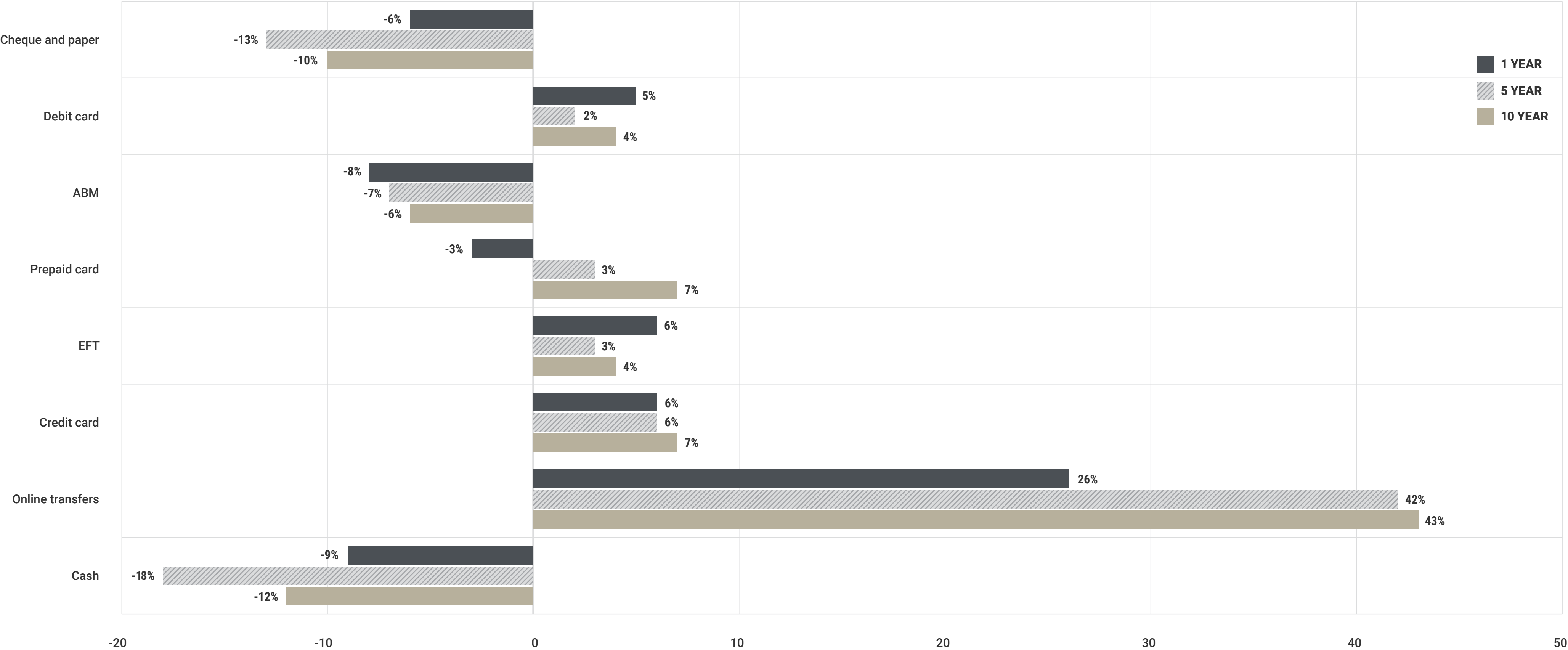


FIGURE A5: ALL PAYMENT METHODS AVERAGE ANNUAL GROWTH VALUE (ONE, FIVE AND 10 YEAR CAGR)

Value (1, 5 and 10 year CAGR)

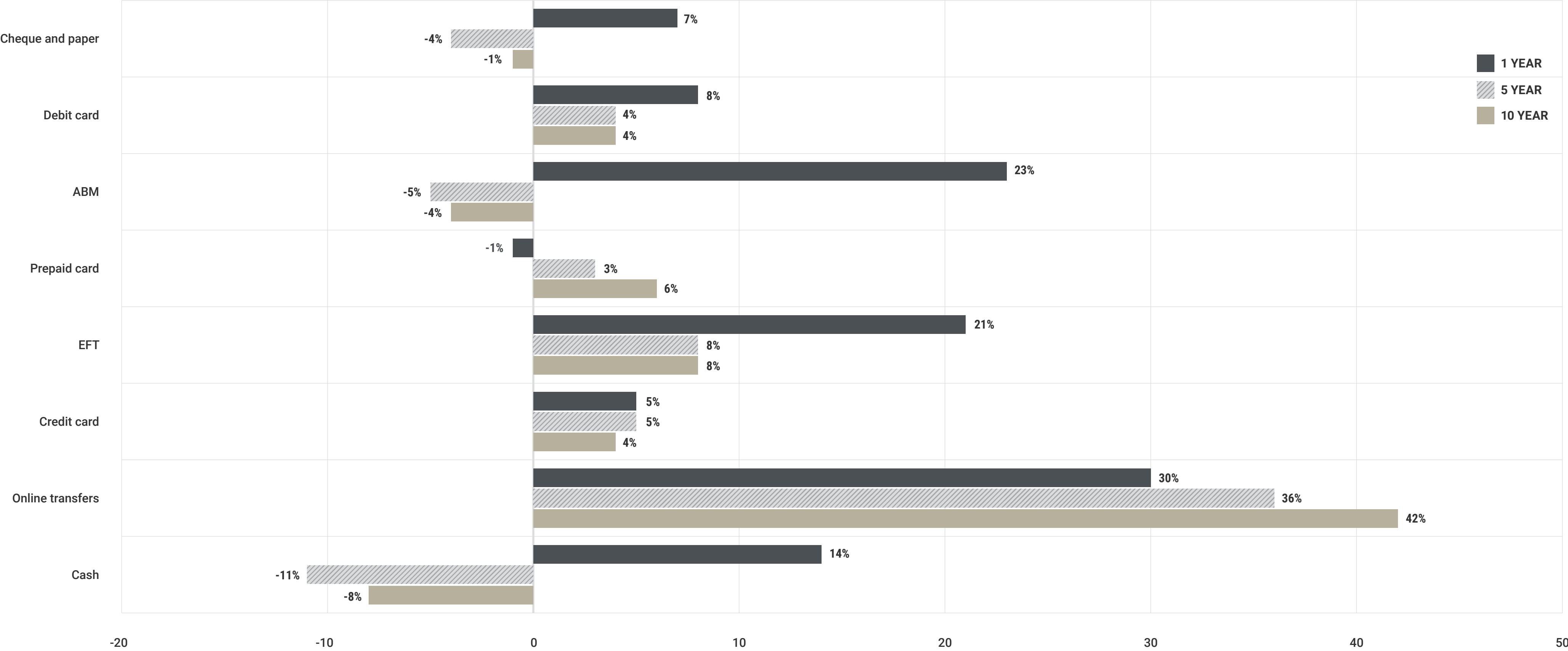
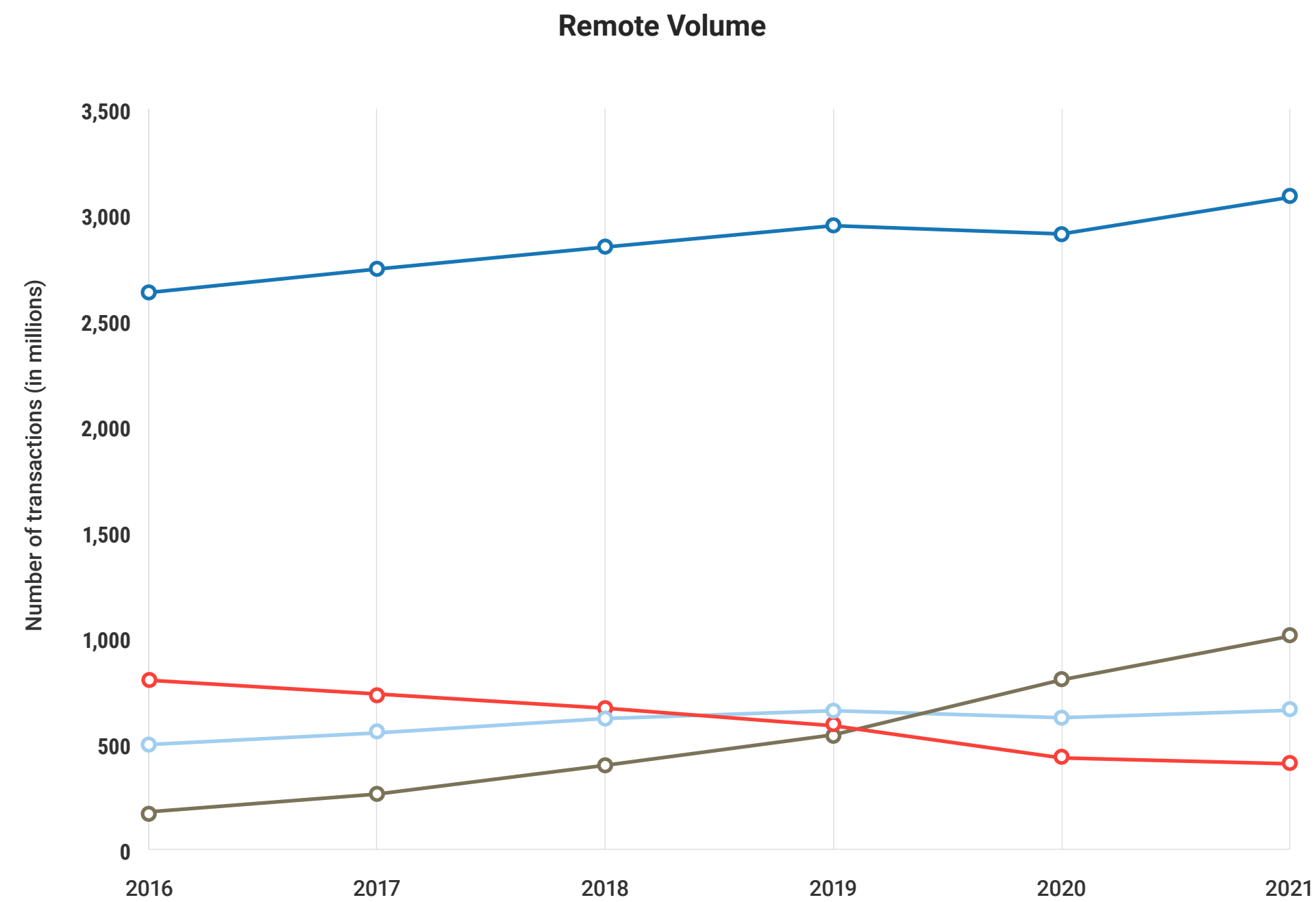
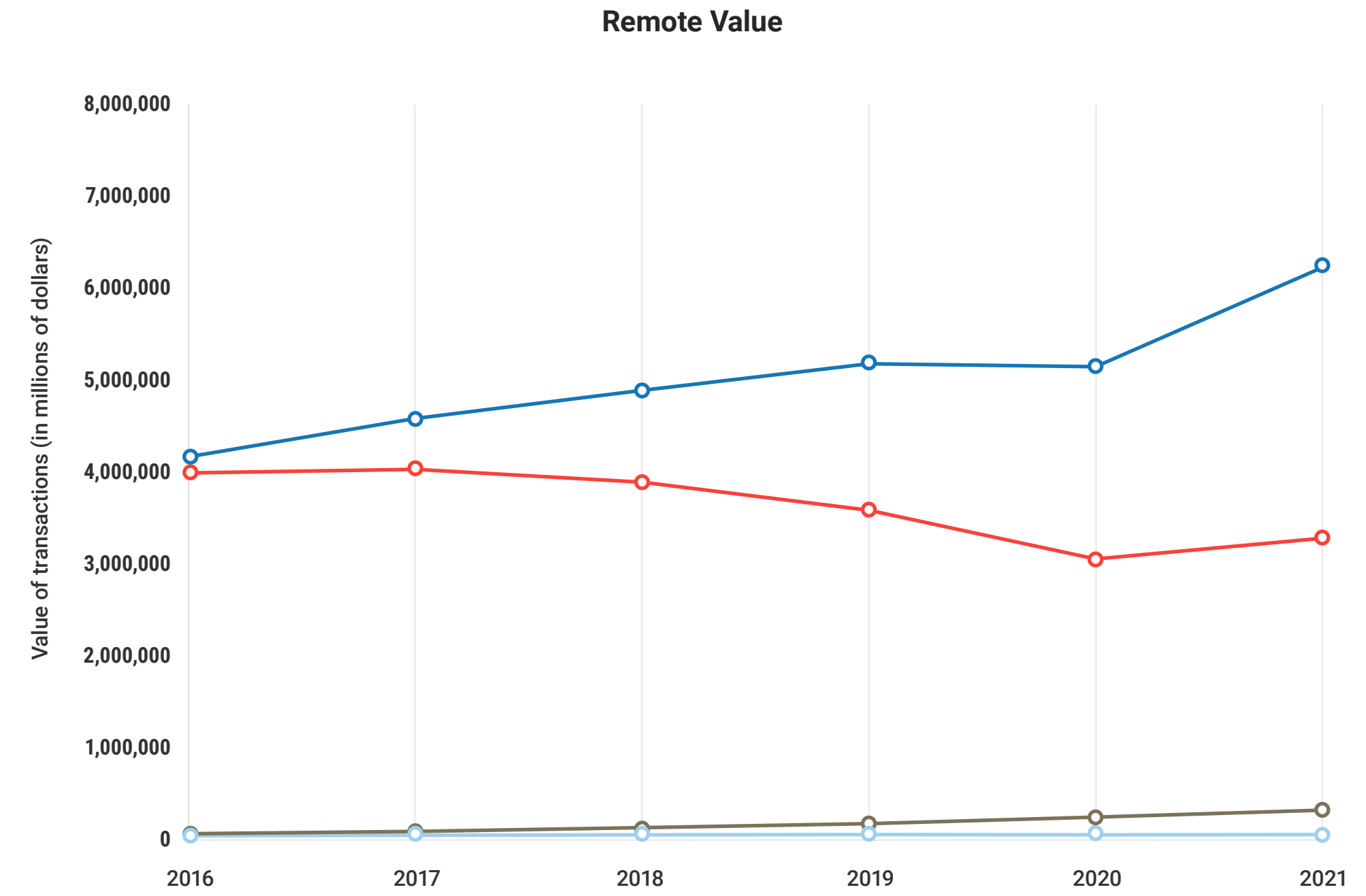


FIGURE A6: REMOTE PAYMENT METHODS VOLUME AND VALUE (FIVE-YEAR TRENDLINE)²⁸⁷



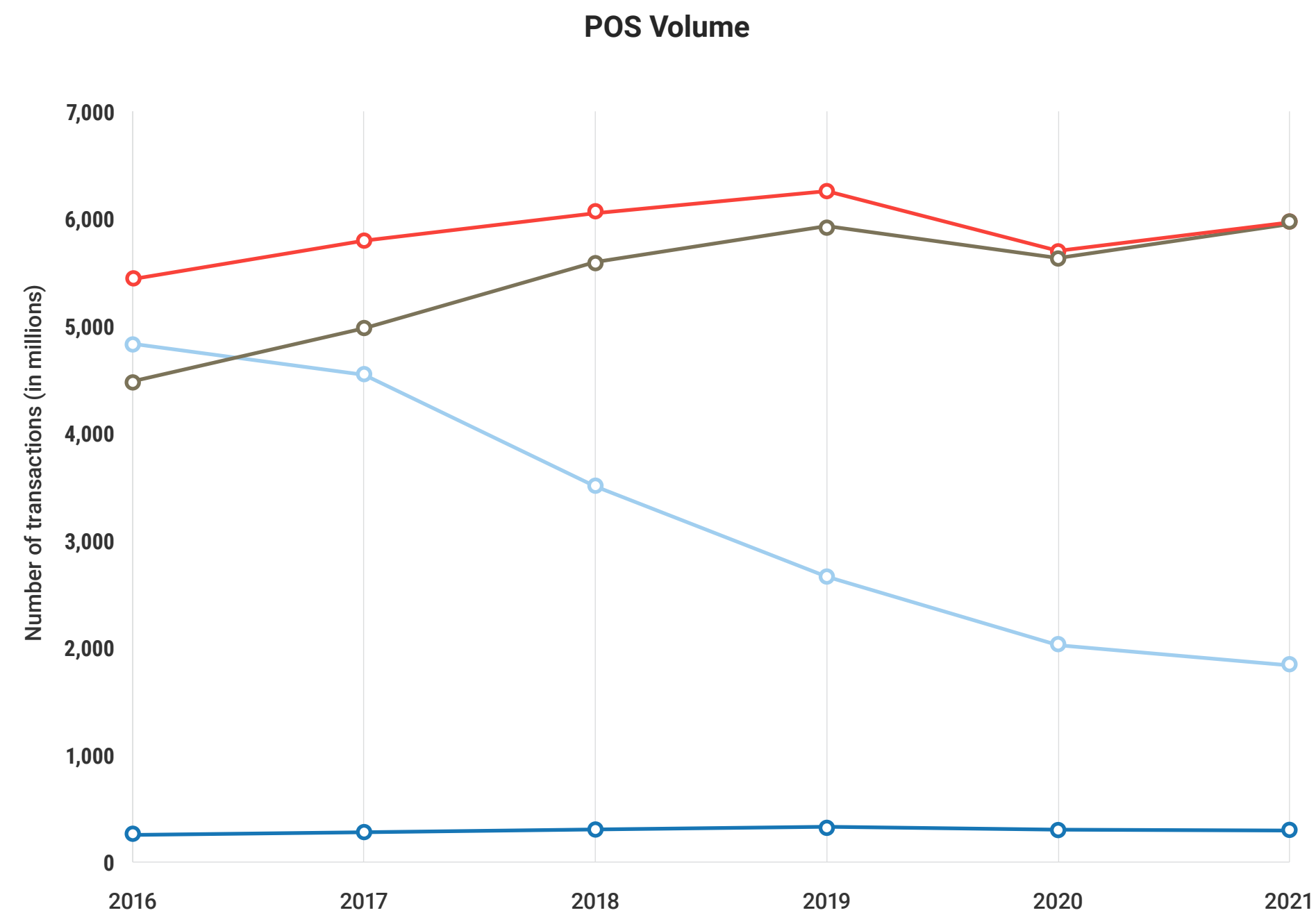
| Payment method | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|-------|-------|-------|-------|-------|-------|
| ○ Cheque and paper | 799 | 734 | 667 | 584 | 432 | 404 |
| ● EFT | 2,631 | 2,742 | 2,846 | 2,947 | 2,908 | 3,081 |
| ● Online transfer | 177 | 261 | 397 | 541 | 801 | 1,007 |
| ● Remote credit card | 495 | 550 | 618 | 655 | 622 | 657 |



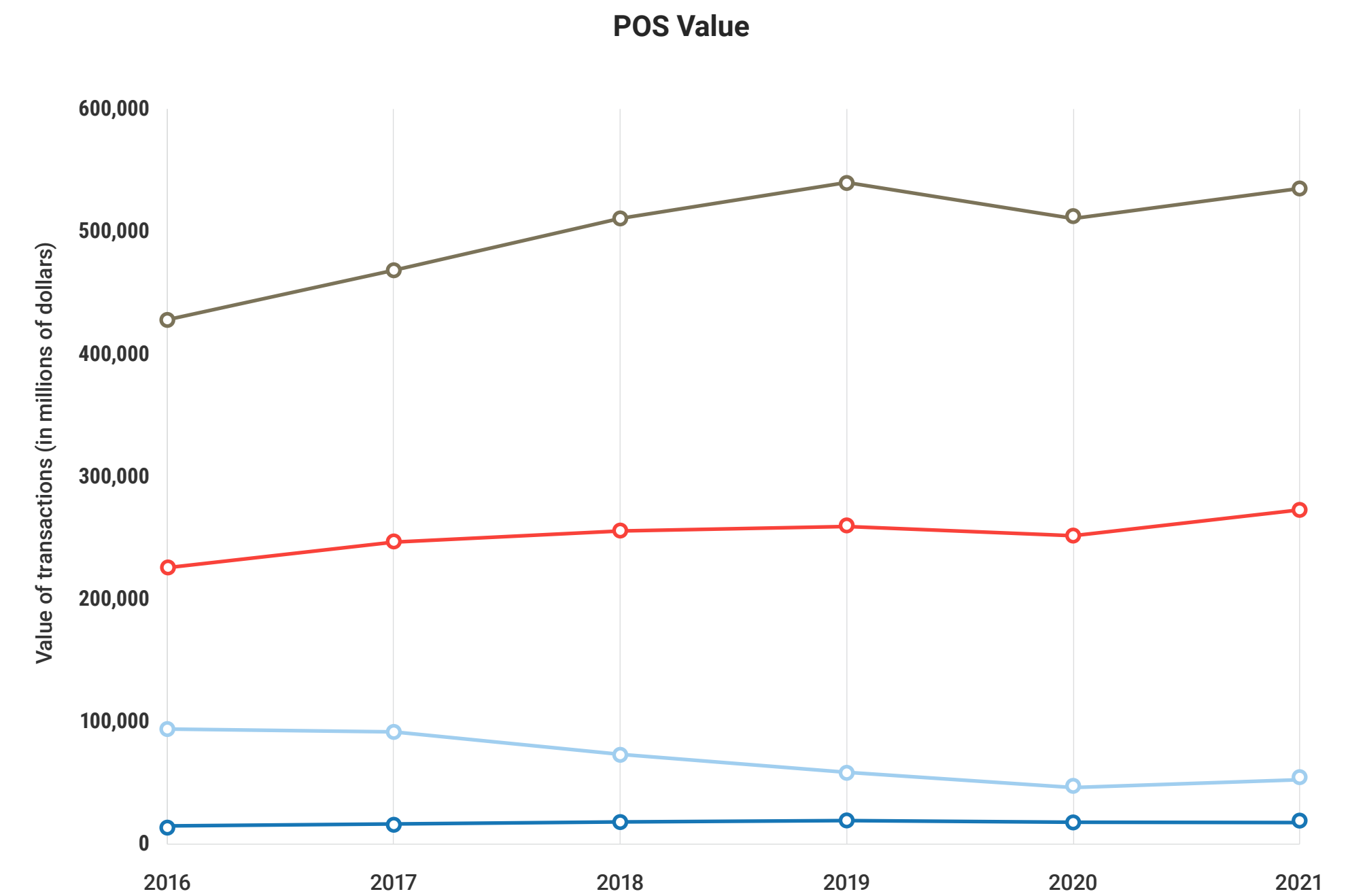
| Payment method | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| ○ Cheque and paper | 3,991,849 | 4,030,697 | 3,891,136 | 3,586,221 | 3,056,371 | 3,281,753 |
| ● EFT | 4,167,111 | 4,583,973 | 4,889,627 | 5,178,683 | 5,147,089 | 6,225,588 |
| ● Online transfer | 68,755 | 93,513 | 134,770 | 178,225 | 249,123 | 324,790 |
| ● Remote credit card | 47,295 | 51,754 | 56,430 | 59,670 | 56,421 | 59,130 |

²⁸⁷ Remote transactions include all transactions that are not made at physical payee locations, virtual payee provided apps or store fronts. Note: Remote credit card transactions involve the use of financial institutions or payment service providers as intermediaries that move funds to intended payees through their services (i.e., for bill payments).

FIGURE A7: POINT-OF-SALE PAYMENT METHODS VOLUME AND VALUE (FIVE-YEAR TRENDLINE)²⁸⁸



| Payment method | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------|-------|-------|-------|-------|-------|-------|
| Debit card | 5,436 | 5,794 | 6,050 | 6,256 | 5,699 | 5,964 |
| Prepaid card | 253 | 278 | 304 | 329 | 302 | 294 |
| Credit card | 4,483 | 4,977 | 5,595 | 5,930 | 5,632 | 5,948 |
| Cash | 4,832 | 4,543 | 3,502 | 2,661 | 2,022 | 1,834 |



| Payment method | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------|---------|---------|---------|---------|---------|---------|
| Debit card | 225,661 | 246,499 | 255,600 | 259,255 | 251,731 | 272,819 |
| Prepaid card | 14,895 | 16,495 | 18,155 | 19,237 | 17,900 | 17,633 |
| Credit card | 428,023 | 468,370 | 510,695 | 540,014 | 510,610 | 535,127 |
| Cash | 93,956 | 91,630 | 73,304 | 58,643 | 46,212 | 52,574 |

²⁸⁸ Point-of-sale or point-of-service transactions include both physical and virtual merchant locations, including online and in-app purchases. With remote estimates for credit card and cash removed.

FIGURE A8: REMOTE PAYMENT METHODS VOLUME AND VALUE (YEAR-OVER-YEAR)

Volume (in millions)

| Payment method | 2020 | 2021 | YOY Change |
|--------------------|--------------|--------------|------------|
| Cheques and paper | 432 | 404 | -6% |
| EFT | 2,908 | 3,081 | 6% |
| Remote credit card | 622 | 657 | 26% |
| Online transfers | 801 | 1,007 | 6% |
| Totals | 4,763 | 5,149 | 8% |

Value (in millions of dollars)

| Payment method | 2020 | 2021 | YOY Change |
|--------------------|------------------|------------------|------------|
| Cheques and paper | 3,056,371 | 3,281,753 | 7% |
| EFT | 5,147,089 | 6,225,588 | 21% |
| Remote credit card | 56,421 | 59,130 | 5% |
| Online transfers | 249,123 | 324,790 | 30% |
| Totals | 8,509,004 | 9,891,261 | 16% |

FIGURE A9: POINT-OF-SALE PAYMENT METHODS VOLUME AND VALUE (YEAR-OVER-YEAR)

Volume (in millions)

| Payment method | 2020 | 2021 | YOY Change |
|----------------|---------------|---------------|------------|
| Debit card | 5,699 | 5,964 | 5% |
| Prepaid card | 303 | 294 | -3% |
| Credit card | 5,632 | 5,948 | 6% |
| Cash | 2,022 | 1,834 | -9% |
| Totals | 14,687 | 14,040 | 3% |

Value (in millions of dollars)

| Payment method | 2020 | 2021 | YOY Change |
|----------------|----------------|----------------|------------|
| Debit card | 251,731 | 272,819 | 8% |
| Prepaid card | 17,884 | 17,633 | -1% |
| Credit card | 510,610 | 535,127 | 5% |
| Cash | 46,212 | 52,574 | 14% |
| Totals | 826,437 | 878,153 | 6% |

FIGURE A10: BILL PAYMENTS HEAT MAP²⁸⁹

| | ELECTRIC/HYDRO | WATER/SEWER | GAS/HEATING | CREDIT CARD BILL | CABLE | INTERNET SERVICE | MORTGAGE | RENT | CAR PAYMENT | HOME INSURANCE | AUTO INSURANCE | HOME SERVICES | CELL PHONE | STREAMING SERVICES (NETFLIX, SPOTIFY) | MEMBERSHIPS (GYM, MEAL KIT) | MEDIA/SOFTWARE SUBSCRIPTION (LINKEDIN PREMIUM, THE GLOBE AND MAIL) | TAX PAYMENT |
|---------------------------------|----------------|-------------|-------------|------------------|-------|------------------|----------|------|-------------|----------------|----------------|---------------|------------|---------------------------------------|-----------------------------|--|-------------|
| ONLINE BANKING PAYMENT | 51% | 50% | 47% | 76% | 42% | 39% | 14% | 18% | 15% | 18% | 18% | 24% | 37% | 16% | 17% | 19% | 54% |
| PRE-AUTHORIZED DEBIT (PAD) | 33% | 29% | 31% | 13% | 28% | 28% | 74% | 32% | 69% | 52% | 52% | 11% | 25% | 35% | 26% | 29% | 24% |
| CREDIT CARD (IN ANY FORM) | 7% | 9% | 11% | 2% | 22% | 25% | 3% | 3% | 6% | 21% | 22% | 25% | 29% | 40% | 41% | 39% | 5% |
| INTERAC E-TRANSFER | 2% | 3% | 3% | 3% | 2% | 2% | 2% | 23% | 2% | 2% | 1% | 17% | 2% | 2% | 3% | 2% | 3% |
| CHEQUE | 2% | 4% | 2% | 2% | 1% | 1% | 2% | 14% | 2% | 3% | 3% | 10% | 1% | 1% | 3% | 3% | 7% |
| DEBIT CARD (IN ANY FORM) | 1% | 2% | 2% | 2% | 2% | 2% | 1% | 2% | 2% | 1% | 1% | 3% | 2% | 2% | 4% | 2% | 2% |
| CASH | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 5% | 1% | 1% | 0% | 6% | 1% | 1% | 3% | 1% | 1% |
| PREPAID CARD (VISA/ MASTERCARD) | 0% | 0% | 0% | 0% | 1% | 1% | 0% | 0% | 0% | 0% | 1% | 1% | 1% | 2% | 1% | 1% | 0% |
| OTHER | 1% | 2% | 1% | 1% | 1% | 1% | 1% | 2% | 1% | 1% | 1% | 1% | 1% | 2% | 1% | 1% | 2% |

²⁸⁹ Totals for this figure do not add to 100% due to rounding.

APPENDIX II: METHODOLOGY, DEFINITIONS AND SEGMENT DESCRIPTIONS

Methodology

The data presented are a combination of Payments Canada systems data, payment service providers and scheme operator data, and estimates based on market research and in consultation with industry experts.

Payment service providers contributed either by sharing their internal research and data or by providing expertise that enhanced the data set's accuracy. As was assured during the data collection, Payments Canada has made every effort to keep participant data non-discernable, where asked to do so.

This paper leverages the full data set gathered from past efforts and contains appropriate updates in methodology, data and findings. As such, this paper represents a full update of the previously published data points (including those provided in past papers) and should be viewed as essentially replacing the previous data sets.

Survey market research details and methodology

1. *The Bank of Canada Methods-of-Payment surveys*

The Bank of Canada surveys Canadians to get a better understanding of how they pay for goods and services. The Bank has conducted five Methods-of-Payment surveys—in 2009, 2013, 2017, 2020 and 2021. These surveys include a questionnaire and a diary where survey participants record their payments and cash withdrawals over the course of three days. The average volume and value of cash transactions per person per day is a key metric from these surveys used to calculate the total cash transaction volume and value estimates.

2. *RFi Group business surveys*

The RFi Group conducts separate surveys on commercial enterprises and small to medium sized enterprises (SME). The commercial survey was in field in May and November 2021 with a total of 350 businesses interviewed online. Basic quotas were applied to the sample to ensure that the data were representative of the Canadian commercial population. All respondents had decision-making powers within commercial businesses operating in Canada with global annual revenue of \$10 million to \$500 million. RFi Group's SME survey was in field in May and November 2021 with a total of 500 businesses interviewed online. Basic quotas were applied to the sample to ensure that the data were representative of the Canadian SME market. All respondents had decision-making powers within SMEs operating in Canada with global annual revenue of less than \$10 million.

3. *TSI Consumer Survey*

Technology Strategies International Inc. (TSI) provides in-depth assessments of consumer payments in Canada, drawing upon a wide range of information resources, including desk research, executive interviews and discussions, and consumer research and

analysis—compiled into an annual report. In 2021, the TSI consumer market survey data were also analyzed for additional insights. The 2021 consumer survey included a sample size of 2,000+ Canadians.

4. *Payments Canada/Leger Consumer and Business Surveys*

Leger is a full-service market research consultancy experienced at providing both quantitative and qualitative research. Leger is a pioneer and leader in web-based research. They have their own proprietary online panel of over 475,000 Canadians. In 2018, Leger acquired an additional panel, which includes an additional one million millennials. As of 2019, Leger provides Payments Canada with a customized consumer payments survey focused on Canadians' usage of different payment methods in both the POS and remote transactions environment. Leger also provides Payments Canada with a customized consumer and business payments survey focused on Canadian usage of different payment methods and their sentiment towards payments methods. In this report, we included a sample size of 4,500 Canadians and 1,500 businesses across the surveys. The surveys were in field during March/April, July/August and September/October in 2021.

5. *Euromonitor Financial Cards and Payments in Canada*

Euromonitor offers an in-depth analysis of financial cards usage in Canada, drawing on figures from a multitude of sources, including the Canadian Department of Finance, Statistics Canada and National Bank of Canada in order to provide a comprehensive look at card market growth. Euromonitor's analysis provides a qualitative and quantitative look at growth within card providers, the impact of supply and demand trends and forecasts for future card growth in Canada.

Definitions and segment descriptions

ABM payments

ABM data are derived from data found in published proprietary reports and validated with published payments networks.

ACSS

The **Automated Clearing Settlement System (ACSS)** is Canada's retail batch payment system, a designated Prominent Payments System (along with Lynx) that clears the vast majority of payments in Canada.

Buy now, pay later

BNPL is a form of short-term loan in which consumers take immediate possession of their purchases and pay for them at a later date through a series of payment installments. These payments are structured in such a way that the payment amounts are equal and the payment due dates follow a pre-set schedule, with the first payment due at checkout.

CAGR

Compound annual growth rate (CAGR) calculates the annual average growth over multiple years, while considering the effects of average compounding growth experienced in each year.

Cash

Total cash was estimated based upon data from Bank of Canada survey research data.²⁹⁰ Estimates from the data establish the mean number of cash transactions per Canadian per day was 0.18 and the mean cash expenditure per transaction was \$5.16. We used these numbers to extrapolate to the larger Canadian population to formulate cash payments estimates.

Commercial EFT

Commercial EFT (electronic funds transfer) refers to business/government use of AFT credits/debits, electronic remittances and EDI transactions (i.e., businesses' payroll to employees through EFT).

Commercial payments

Commercial payments include transactions that originate from Canadian organizations, businesses and governments.

Consumer payments

Consumer payments are transactions that originate from Canadian households and individuals for paying bills, managing accounts at financial institutions and payments for goods and services.

Credit card

Credit card data are a combination of consumer and business credit and charge card payments found in proprietary published reports.²⁹¹ Charge cards differ from credit cards primarily in their application of interest. Credit cards charge interest at an annual percentage rate. Charge cards apply full interest charges after a defined period (typically 21 days) so users are more inclined to pay off balances each month.

Debit payments

Debit payments include Payments Canada POS debit and online debit transaction data, *Interac* debit card data and data provided by participants.

Digital currency

Digital currency refers to a wide range of electronic money. This can include currencies like Bitcoin (and other cryptocurrency), Stablecoins or central bank digital currencies (CBDCs). Most digital currencies operate via blockchain, meaning there is not a single entity controlling the network but rather, it consists of a decentralized peer-to-peer (P2P) network where the "peers" are those making digital currency transactions within the network.

Digital identity

Digital identity (digital ID) is an alternative to traditional IDs that verify identity online using a combination of existing IDs and personal information attributed to an individual. Digital ID verification processes allow a person to verify their identity for a number of use cases, such as paying for a purchase or logging into a secure work environment when either the person and their physical ID are not present. Digital ID verification relies on methods like biometric and face recognition, where the "ID" being evaluated is a digital image and users present themselves concurrently via a digital image capture—either a photo or a video.

EFT

Electronic funds transfer (EFT) was calculated using a combination of AFT (debits and credits), electronic remittances and electronic data interchange (EDI) transactions.

Gig economy

A growing share of Canada's workforce consists of "gig workers." These are workers who enter into short-term contracts with firms or individuals to complete specific and often one-off tasks. The term "gig work" includes: traditional independent contractors (such as consultants) and other freelancers (such as those who work with online platforms like Uber).²⁹²

²⁹⁰ 2021 Methods of Payment Survey Results, Bank of Canada, December 2021.

²⁹¹ Euromonitor International, Passport (2021): Financial Cards and Payments in Canada 2021 Edition, and TSI (2022), Canadian Payments Forecast 2022.

²⁹² Definition from the **Government of Canada**.

ISO 20022

ISO 20022 is an international financial messaging standard designed to simplify global business communication. The standard enables efficient payment clearing and settlement among financial institutions globally through the use of a common set of messages and language. It is an open standard developed by ISO (International Organization for Standardization).

LVTS

Large Value Transfer System (LVTS) payments were excluded from the analysis because the report is focused on more common payments made by consumers and businesses.

Lynx

Lynx, Canada's high-value payment system, replaced the LVTS in the summer of 2021. The system processes large-value, time-critical payments with real-time settlement finality and complies with Canadian and international risk standards. Lynx, which is being implemented in two releases, also supports the global ISO 20022 messaging standard. This enables data-rich payments and supports Canadian financial institutions in meeting SWIFT ISO 20022 global requirements by November 2022.

Online transfer

Online transfers include online e-wallet and electronic person-to-person (P2P) transactions initiated through online services and providers that are prepaid or linked to deposit accounts at financial institutions (e.g., PayPal). This includes data and estimates for online and mobile environments used to make remote electronic person-to-person payments and payments to merchants, excluding transactions based on credit and debit cards, which are counted in the credit card and debit card categories.

On-us

On-us refers to transactions drawing upon direct deposit accounts (e.g., bank chequing accounts or business accounts) where both the payor and payee reside at the same financial institution. A variety of payment types, normally associated with Payments Canada cleared payments, are impacted by on-us items, including cheques, debit and EFT. On-us payments do not result in a Payments Canada clearing entry (and do not appear in Payments Canada system data). On-us payments data must be determined from sources other than Payments Canada. On-us amounts were derived from participant data and estimates. The analysis determined on-us payments to amount to approximately 20 per cent more transactions than can be found in Payments Canada data. On-us amounts differ by payment type, such as cheques (~25 per cent), debit (~13.7 per cent), EFT (~19 per cent), etc.

Open banking

Open banking refers to policy and technology frameworks that allow consumers to use, move and share their financial transaction data held at financial institutions with trusted third-party service providers (TPPs) to receive a wider range of useful financial services.

Paper/cheques

Paper/cheque data is based on Payments Canada ACSS data for cheque and paper items, including paper remittances.

Personal EFT

Personal EFT (electronic funds transfer) refers to consumer use of AFT credits/debits and electronic remittances (i.e., consumers paying bills through pre-authorized debits).

Prepaid card

Credit card company and store-branded prepaid product data (both open- and closed-loop) are based on proprietary publication data. We also include virtual prepaid products that may be purchased through mobile device application stores, such as Apple and Android.

Real-Time Rail

The Real-Time Rail (RTR) – Canada's first national real-time payment system – will support faster (24/7/365), data-rich payments and act as a platform for payment innovation and competition. It will allow Canadians to initiate and receive payments within seconds, anytime of the day or night, 365 days per year. RTR payments will be irrevocable, meaning they are final and cannot be undone.

SET Transactions

Settlement and exchange transactions (SET) are intra-day exchanges of fund transactions that deal with the dislocation of settlement funds between the ACSS and the LVTS. These transactions are generally done through cheques and account for a significant amount of cheque value in the ACSS.

Unbanked

Unbanked refers to those who do not have any financial products (i.e., debit cards or credit cards) associated with a traditional financial institution.

Underbanked

Underbanked refers to those with limited engagement with established financial institutions (i.e., having a credit card but not a debit card or vice versa).



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