



Interac Inter-Member Network Disclosure

Bank of Canada Prominent Payment System Risk-Management Standards

As at December 31, 2023

Table of Contents

Overview.....	2
Interac Inter-Member Network – Key Information.....	2
Annual Statistics	2
Standard-by-Standard Narrative Disclosure.....	3
Standard 1: Legal Basis	3
Standard 2: Governance.....	5
Standard 3: Framework for the Comprehensive Management of Risk.....	6
Standard 4: Credit Risk	7
Standard 5: Collateral.....	8
Standard 6: Liquidity Risk	8
Standard 7: Settlement Finality.....	9
Standard 8: Money Settlement	9
Standard 9: Participant-default Rules and Procedures	10
Standard 10: General Business Risk	10
Standard 11: Custody and Investment Risk.....	11
Standard 12: Operational Risk.....	11
Standard 13: Access.....	12
Standard 14: Tiered Participation Arrangements.....	13
Standard 15: Efficiency and Effectiveness.....	13
Standard 16: Communication Procedures and Standards	14
Standard 17: Disclosure of Rules, Key Procedures, and Market Data.....	14
Standard 18: Recovery Plans	15

Responding FMI: [Interac Corp.](#)

Jurisdiction in which the FMI operates: [Canada](#)

Regulating, supervising, or overseeing authority: [Bank of Canada](#)

This disclosure can also be found at <https://interac.ca/>

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Overview

Interac Corp.'s ("Interac") Inter-Member Network ("IMN") was designated a Prominent Payment System ("PPS") by the Bank of Canada (the "Bank") on October 16, 2023. The designation applies to the following consumer-facing services: Interac Debit (point-of-sale ("POS") debit card transaction using chip and PIN), Interac Flash (POS debit card transaction using tap), and Interac Mobile Debit (POS debit transaction using debit card in mobile wallets).

The designation also applies to the Interac Token Service Provider ("TSP"), which is an integral part of the Interac Mobile Debit Service. TSP allows for the tokenization of a consumer's primary account number, allowing the consumer to make a contactless POS debit transaction. The term "Services" used in this public disclosure refers to Interac Debit, Interac Flash, Interac Mobile Debit, and Interac TSP.

Interac completed its first annual self-assessment as at December 31, 2023, where Interac assessed its operations and risk management practices against the 18 PPS standards.

This disclosure describes Interac's operations and approach to meeting the Bank's regulatory objectives and PPS Standards in respect of the Services.

Interac Inter-Member Network – Key Information

Interac operates the IMN, an electronic payment network. The IMN makes it possible for customers to pay for goods and/or services at a POS terminal operated by an Interac Participant. Depending on the payment solution offered by a merchant, customers can purchase goods and/or services using their debit cards provided by their financial institution ("FI") by inserting their debit card and entering their PIN, tapping their debit card on a POS terminal, or using their debit card stored on their mobile wallet.

Interac is responsible for the functional and operational management, continual development, and commercialization of the Services, which are then offered to "Participants". Participants are either Direct Connectors or Indirect Connectors, which describes how they technically connect to the IMN. Direct Connectors connect directly to the IMN and Indirect Connectors connect through a Direct Connector or Connection Service Provider ("CSP"), either of which is a signatory to the applicable Service's governing documents. Downstream participants are not Participants to the Services and gain access to the Services through a Participant.

Interac's shareholders are a diverse body of financial services entities, including banks, credit unions, caisses populaires, and payment acquirers.

Annual Statistics

Measure	2021	2022	2023
Daily Average Value Processed*	\$731,793,739	\$792,579,254	\$820,071,101
Daily Average Volume Processed*	16,291,716	17,262,178	18,169,732
Number of Direct Participants**	17	17	17

* Figures include "On-Us" transactions which are transactions where the Acquirer and Issuer are part of the same institution.

** The Services have 44 participants, of which 17 connect directly to the IMN and 27 connect indirectly.

Standard-by-Standard Narrative Disclosure

Standard 1: Legal Basis

A PPS should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Interac is a Canadian currency payment company and operates under Canada's jurisdiction only. Defined rules and legal agreements are governed by Canadian federal laws and the laws of the Province of Ontario. Interac has legal agreements in place with all Participants, vendors, and relevant stakeholders where needed, which are signed by all relevant parties.

The contractual arrangements provide for a high degree of legal certainty and support operational resilience through a clear set of contractual obligations between Interac, its Participants, vendors, and relevant stakeholders.

Interac's legal agreements, rules, regulations, and by-laws set the legal basis for Interac's activities and are available to Participants (and potential participants under a Non-Disclosure Agreement ("NDA")). All legal agreements, rules and procedures are communicated to and reviewed by Participants, as appropriate.

The Services are grounded in a well-founded, clear, transparent, and enforceable legal framework. Interac's Unanimous Shareholder Agreement ("USA") sets out the framework within which Interac must conduct its business, which includes the requirement that Interac's business must be principally in Canada or for Canadians.

The contractual legal framework in respect of the operation of the Services as between Interac and the Services' Participants is set out below.

Interac Debit

1. Master Services Agreement ("MSA") – defines certain participation criteria and obligations for the Participants and Interac, including, but not limited to, intellectual property rights and confidentiality and privacy.
2. Interac Debit Service Schedule – defines participation criteria, requirements, and obligations for Participants.
3. Interac Debit Confidential Service Schedule Rider ("CSSR") – defines the fees applicable to Interac Debit.
4. Canadian Trade-mark Licensing Agreement - defines the licensing rights, standards, and terms for the use of any Interac-owned trademark set out in the Interac Debit Operating Regulations as between Interac and Participants. Included within the agreement are also the effects of termination and termination process if a Participant does not meet the standards and usage requirements.
5. IMN License Agreement – (for each Participant that connects directly to the IMN) – defines a Participant's rights and obligations with respect to Interac proprietary intellectual property to connect directly to the IMN.
6. Applicable Interac Debit Operating Regulations, which consist of: General Operating Regulations, Debit Operating Regulations, and Security Operating Regulations. These Operating Regulations define the regulations Participants must adhere to such as certification and testing, marketing and trademarks, transaction limits, safety and security, and disaster/recovery.

Interac Flash

1. MSA – defines certain participation criteria and obligations for the Participants and Interac, including, but not limited to, intellectual property rights and confidentiality and privacy.
2. Interac Flash Service Schedule – defines participation criteria, requirements, and obligations for Participants.
3. Interac Flash CSSR – defines the fees applicable to Interac Flash.
4. Canadian Trade-mark Licensing Agreement - defines the licensing rights, standards, and terms for the use of any Interac-owned trademark set out in the Interac Flash Operating Regulations as between Interac and Participants. Included within the agreement are also the effects of termination and termination process if a Participant does not meet the standards and usage requirements.
5. IMN License Agreement – (for each Participant that connects directly to the IMN) – defines a Participant’s rights and obligations with respect to Interac proprietary intellectual property to connect directly to the IMN.
6. Applicable Interac Flash Operating Regulations, which consist of: General Operating Regulations, Debit Operating Regulations, Security Operating Regulations, and Flash Operating Regulations. These Operating Regulations define the regulations Participants must adhere to such as certification and testing, marketing and trademarks, transaction limits, safety and security, and disaster/recovery.
7. Specifications Sublicense Agreement for Issuers – defines the licensing rights, standards, and terms for the use of the dual interface contact and contactless chip payment standard specification.

Interac Mobile Debit

1. Mobile Debit Service Participation Agreement – defines participation criteria, requirements, and obligations for Participants.
2. Participation Agreement Amending Agreement (“PAAA”) – incorporates certain provisions of the MSA. The MSA was primarily put into effect for Interac Debit at the time Interac restructured in 2018.
3. By-Law – reinforces participation criteria and requirements and defines the appropriate actions if participation requirements are not met, and the expectations for being a Participant to be recognized as in good standing (including financial).
4. Canadian Trade-mark Licensing Agreement - defines the licensing rights, standards, and terms for the use of any Interac-owned trademark set out in the Interac Mobile Debit Operating Regulations as between Interac and Participants. Included within the agreement are also the effects of termination and termination process if a Participant does not meet the standards and usage requirements.
5. IMN License Agreement – (for each Participant that connects directly to the IMN) – defines a Participant’s rights and obligations with respect to Interac proprietary intellectual property to connect directly to the IMN.
6. Specifications Sublicense Agreement for Issuers – defines the licensing rights, standards, and terms for the use of the dual interface contact and contactless chip payment standard specification.
7. Applicable Interac Mobile Debit Operating Regulations, which consist of: General Operating Regulations, Debit Operating Regulations, Flash Operating Regulations, Security Operating Regulations and Mobile Debit Operating Regulations. These Operating Regulations define the regulations Participants must adhere to such as certification and testing, marketing and trademarks, transaction limits, safety and security, and disaster/recovery.
8. TSP contractual legal framework (for FIs participating in Interac Mobile Debit).
 - a) Early Commitment Letter – defines the provisions pursuant to which Interac provides onboarding services, integration activities for the TSP Service.

- b) TSP Service Subscription Agreement (“TSP Agreement”) – defines the provisions pursuant to which Interac provides the TSP service including, but not limited to, onboarding services, implementation processes and fees, and the Participant’s obligations related thereto.
- c) Issuer Identification Number (“IIN”) License Agreement – defines the licensing rights, standards, and terms for the use of an IIN in connection with the Interac TSP service.
- d) Interac TSP applicable Operating Regulations, which consist of: General Operating Regulations, Debit Operating Regulations, Flash Operating Regulations, Security Operating Regulations and Mobile Debit Operating Regulations, and define the regulations Participants must adhere to such as certification and testing, marketing and trademarks, transaction limits, safety and security, and disaster/recovery.

The material aspects of the Services’ activities that require a high degree of legal certainty are settlement period, finality, and default procedures. The Services’ rules and regulations clearly define the settlement period, including the start and cut-off times for when settlements are calculated, when Participants are expected to settle and when transactions are considered final (irrevocable). Participants are required to settle on the Automated Clearing Settlement System (“ACSS”). This high degree of legal certainty ensures that the operational resilience of the financial market infrastructure is maintained via the rules and procedures that Participants are required to follow to meet their contractual obligations.

The Services’ rules, procedures and contracts are reviewed upon any material changes to the Services. The Services’ governance process ensures that its rules, procedures, and contracts will not be voided, reversed or subject to stays specifically through signed legal agreements and review of rules and procedures by in-house legal counsel and relevant committee(s). When appropriate, external legal advice is also obtained as required.

Standard 2: Governance

A PPS should have governance arrangements that are clear and transparent, promote the safety and efficiency of the PPS, support confidence in and the smooth functioning of the markets it serves, and support other relevant public interest considerations as well as the objectives of relevant stakeholders.

Governance arrangements at the corporate level (i.e., Board, Board Risk Committee (“BRC”), Management Risk Committee (“MRC”), etc.) apply enterprise-wide, and product governance specific to the Services are also in place as outlined in PPS Standard 1 - Legal Basis. Corporate governance arrangements are shared with shareholders while product governance arrangements are shared with Participants.

Interac has publicly disclosed information on its website it considers relevant to the broader public, specifically its Board composition and its management team. The Board’s roles and responsibilities are defined in the relevant handbook and mandate.

Interac has a set of annual corporate objectives which cascade through its activities, including those of the Services, to support the safety and efficiency of the system. Interac has adopted the 3 Lines of Defence (“LoD”) risk management model and has established and communicated the formal lines within the company, including reporting into both the Management team and the BRC. The accountabilities of Management are established through job descriptions. Management is both responsible and accountable for execution of all operational activities at Interac, while the Board is responsible for oversight of Management.

The Board-approved Risk Appetite Framework ("RAF") formulates how risk appetite definition, measurement, monitoring, and communication is implemented and facilitated across Interac, while clearly defining roles and responsibilities of the Board, BRC, Management, business leaders, and the risk management team.

Interac also has an Enterprise Risk Management Framework ("ERMF") in place, that is applicable to the Services, and is supported by a set of risk appetite statements that cover its material risk types. The ERMF defines clear roles and responsibilities under the 3 LoD model, including authority, reporting lines across each line of defence. It sets the stage for risk tolerance policy at Interac through the establishment and definition of Risk Appetite Statements ("RAS"). The RAS, together with the risk management policies and procedures, support Interac in identifying, assessing, managing, and reporting on its risks being within acceptable levels, inclusive of business interruption risk arising from crises and emergencies.

Relationships with Participants are managed through Interac's governing documents. Additionally, Interac has multiple operational committees with Participants to manage the operationalization of the Services, and an Advisory Committee for business operational reviews. Interac also demonstrates accountability to shareholders, Participants, and other relevant stakeholders through its assessment against the set of Key Risk Indicators that are aligned to both Interac's ERMF, and the RAS established.

Standard 3: Framework for the Comprehensive Management of Risk

A PPS should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational and other risks.

Interac recognizes that to achieve its strategic objectives and grow sustainably, it must identify and understand the risks to its strategy. It must also maintain a critical balance between the pursuit of growth and the need to align risk-taking activities with its corporate strategy.

To address this, Interac has developed the ERMF in line with the commitment of the Board and Management to establish and maintain good risk management practices. The ERMF is applicable enterprise-wide and therefore applicable to the Services.

The ERMF sets out Interac's structure and process for identifying, assessing, measuring, monitoring, and reporting on its significant risks, as well as the ownership, and responsibility obligations of Interac's management and directors. The ERMF is primarily governed by two risk committees: (1) the BRC and (2) the MRC. It is reviewed and approved at least annually by the BRC and MRC on the recommendation of the Chief Financial & Risk Officer.

Risks resulting from significant changes to the Services

Cross functional risk reviews are conducted as part of the design of significant changes to Interac's products and services including the Services. These assessments are conducted and monitored throughout the duration of the program. Typically, risk reviews in product design, operationalization and commercialization are conducted through the lenses of strategic risk, fraud risk, security risk, operational risk, and commercialization risks. When new Service-related functionalities are conceived, risk assessments are conducted such that appropriate amendments are made to the Service's governing documents, including those that may have downstream requirements to Participants or their customers.

Participant risks

Given that Interac is a non-collateralized system and is not part of the payment settlement process, Interac does not offer regular incentives to Participants or their customers for monitoring and managing risks.

Participants' risks are managed through the Services' governing documents. Categories of risk managed through the governing documents include fraud, liability, privacy (including Canadian Anti-Spam Legislation), intellectual property, reputational, operations and information technology. These documents are available to Participants through the appropriate channels – either directly with the Participant or through Interac's Extranet site. The documents are also available to potential participants under an NDA. The Services' governing documents impose requirements on Participants to help manage and mitigate material risks identified by Interac primarily through compliance with the Services' governance documents. Participants are obligated to be in continuous compliance with the governing documents and the managing of risks.

In addition, the Services clearly define the eligibility criteria for participation. The basis for the requirement is to provide an initial assurance to the Services in terms of the type of entity that is being onboarded and how they are regulated. Participants are expected to manage risks arising from the processing of transactions on the applicable Service in accordance with their internal process and procedures and in line with requirements and expectations of their applicable regulators.

Risks borne by Participants and third parties are managed through the governing documents for each Service.

Interac does not have a direct/contractual relationship with Participants' customers in respect to use of the Services; however, given that Interac operates the Services, it manages a Help Desk and social media channels to assist in directing Participant customer complaints.

Standard 4: Credit Risk

A PPS should effectively measure, monitor, and manage its credit exposures to Participants and those arising from its payment clearing and settlement processes. A PPS should maintain sufficient financial resources to cover its credit exposure arising from the default of the Participant and its affiliates that would generate the largest aggregate credit exposure for the PPS in extreme but plausible market conditions.

The Services are pull payment instruments that rely on Participants' deferred net settlement practices. Interac's role in the Services is defined in the applicable governing documents outlined in PPS Standard 1 - Legal Basis.

Interac does not take on credit exposure from Participants. Although Interac does not take on credit risk, the Services nonetheless include rules and processes to mitigate credit risk generally.

Participants are required to use Payments Canada systems, ACSS and Lynx, to clear and settle their obligations incurred through the Services. The measuring and monitoring of Participants' credit risk associated with the Services is managed by Participants through acceptance of each transaction and bi-lateral settlement under the rules of the Lynx. Lynx maintains a comprehensive framework of rules, by-laws, and controls specifically designed to address and mitigate both credit and liquidity risk. Participants are responsible for the settlement payments aligned to the cut-off times agreed to.

While implications for Participants defaulting are based upon Lynx rules, Participants are required to follow additional rules in the Services' governing documents. Additionally, a Participant can be terminated from a Service as a result of financial inability to settle.

Standard 5: Collateral

A PPS that requires collateral to manage its credit exposure or the credit exposures of its Participants should accept collateral with low credit, liquidity, and market risks. A PPS should also set and enforce appropriately conservative haircuts and concentration limits.

Under their contractual requirements, Participants are expected to manage their exposures to credit risk, and to settle by the settlement cut-off. All funds are settled under the rules of Lynx and, as a result, collateral posting to Interac is not required from Participants. The collateral posted by Participants to Lynx meets the prudent valuation standards aligned to the Bank's requirements.

Both the ACSS and Lynx are designated Financial Market Infrastructures (FMIs) that are required to meet the Bank's risk-management standards. Therefore, a comprehensive framework of rules, bylaws, and controls specifically designed to address and mitigate collateral risk is in place from both the ACSS and Lynx.

Standard 6: Liquidity Risk

A PPS should effectively measure, monitor, and manage its liquidity risk. A PPS should maintain sufficient liquid resources in all relevant currencies to effect same-day and, when appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the Participant and its affiliates that would generate the largest aggregate liquidity obligation for the PPS in extreme but plausible market conditions.

Interac itself does not bear any liquidity risk associated with the transaction payments of the Services. The liquidity risk arising from the Services' transactions is measured, managed, and monitored by Participants through the acceptance of each transaction and the Services are not responsible for managing Participants' liquidity risk as the responsibility lies with the Participants.

Although Interac does not bear transaction payment related liquidity risk, the Services nonetheless include rules and processes to mitigate liquidity and credit risk generally.

Participants are required to use Payments Canada systems, ACSS and Lynx, to clear and settle their obligations incurred through the Services. Lynx maintains a comprehensive framework of rules, by-laws, and controls specifically designed to address and mitigate both credit and liquidity risk.

While implications for Participants defaulting are based upon Lynx rules, Participants are required to follow additional rules in the Services' governing documents.

Standard 7: Settlement Finality

A PPS should provide clear and certain final settlement by the end of the value date. When necessary, or preferable, a PPS should provide final settlement intraday or in real time.

The Services provide clear and certain settlement finality by the end of the value date. Participants are required to use Payments Canada systems, ACSS and Lynx, for clearing and settlement finality. Both Payments Canada systems define settlement finality in their rules, regulations, and by-laws.

Currently, Interac has no plan to incorporate real-time or intraday settlement into the Services beyond the payment clearing and settlement services offered by the ACSS and Lynx. Through their respective rules, regulations, and by-laws, ACSS and Lynx clearly define the point at which settlement of obligations incurred on the Services are final.

Settlement of obligations incurred on the Services is effected using three different systems and requires transactions to be aggregated intraday (t), cleared through the ACSS (t+1), and settled on Lynx (t+1+). This process reduces credit and settlement risk as Lynx is a pre-funded, real-time gross settlement system.

Upon completion, all transactions are irrefutable and irrevocable. Unsettled payments would only occur if a Settlement Agent did not settle their ACSS balance in Lynx. Financial recourse for unsettled payments follows the process for resolving errors and disputes pursuant to the Services' governing documents. Additional recourse may be available through Payments Canada's rules, regulations, and by-laws for ACSS and Lynx.

Relying on ACSS and Lynx provides certain controls and mitigants that reduce credit and liquidity risk as payments are cleared and settled. Both ACSS and Lynx are designated as payment systems that meet heightened risk-management standards. This means that they are required to implement comprehensive frameworks of rules, by-laws, and controls specifically designed to address and mitigate both credit and liquidity risk. Collectively these measures are in place to ensure the stability and reliability of Payments Canada's financial operations and the operations of those leveraging the systems.

Standard 8: Money Settlement

A PPS should conduct its money settlements in central bank money when practical and available. If central bank money is not used, a PPS should minimize and strictly control the credit and liquidity risk arising from the use of commercial bank money.

Interac's responsibility with respect to settlement for any of the Services is the calculation of interchange fee amounts, in Canadian dollars, that are due by Acquirers to Issuers for Interac Flash and Interac Mobile Debit transactions. Interac is not involved in the exchange of funds and the payment of settlement amounts is made directly between Participants using the Lynx system.

Participants are required to use Payments Canada systems, ACSS and Lynx, for clearing and settlement.

Settlement occurs outside of the IMN, in central bank money, via Lynx. Interac does not have a legal agreement with the Bank of Canada for settlement. Settlement Agents have agreements with the Bank of Canada directly.

Standard 9: Participant-default Rules and Procedures

A PPS should have effective and clearly defined rules and procedures to manage a Participant default. These rules and procedures should be designed to ensure that the PPS can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

Interac does not play a direct role in the payment clearing and settlement process. Participants are required to use Payments Canada systems, ACSS and Lynx, for clearing and settlement. If a Participant default were to occur, Settlement Agents would have outstanding obligations to each other (e.g., unsettled payments), or those they settle on behalf of, but not Interac.

Both ACSS and Lynx are Bank-designated FMIs and they have a comprehensive framework of rules, bylaws, and controls including Participant default rules and procedures which the Participants are expected to follow in case of a Participant-default. Interac gains comfort that these rules and procedures are operationally effective based on regular discussions with Participants at the standing forums.

In the event of a Participant default, Interac is not required to cover losses or contain liquidity pressures arising from a Participant's default. Under the Services' governing documents, Participants are responsible for their own acts, defaults, obligations, and liabilities. Due to this process, Interac does not bear the financial consequences of settlement default and will still be able to meet its financial obligations.

However, Interac recognizes the importance of managing the risk of settlement default to the broader Canadian payments' ecosystem and has implemented controls to mitigate settlement risk and residual liabilities. Participant defaults (either financial or operational) are subject to the Services' governing documents found in PPS Standard 1 - Legal Basis, and PPS Standard 13 - Access. In each of these documents, Interac has a clearly defined process to manage, suspend, disconnect, and terminate Participants that are unable to meet their obligations.

All relevant documentation relating to participant default-rules and procedures are available to Participants through the appropriate channels – either directly with Participants or through Interac's Extranet site and to potential participants under NDA.

Standard 10: General Business Risk

A PPS should identify, monitor, and manage its general business risk and hold sufficient liquid net assets to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialize. Further, liquid net assets should at all times be sufficient to ensure recovery or orderly wind-down of critical operations and services.

Interac defines its major risk categories and related subcategories to facilitate a consistent language and enterprise-wide approach to identifying, assessing, reporting, and disclosing Interac's risks, including general risks and financial risks. The RAS are a qualitative expression of the appetite for its major risk. Risk metrics have been formulated to help the business identify and measure risk exposures. They act as early indicators for management to make informed decisions for mitigating risk and allow Interac to assess whether it, including the Services, is operating within its risk appetite.

Interac has controls in place to monitor its financial position. A key element in managing the financial health of Interac is through Interac's budget setting and monitoring process. An annual budget is established ahead of each fiscal year and presented to the Board for approval.

Interac maintains a capital reserve to cover unexpected/large operating expenses arising from periods of stress. It holds liquid net assets in the form of cash and cash equivalents and maintains a liquidity buffer reset on an annual basis. This liquidity buffer is calibrated based on stress revenue and current sources of finance, to ensure that Interac may continue to operate as a going concern in the event that it experiences general business losses. A Board-approved Recovery Plan has been developed that outlines a set of actions Interac can take to address plausible extreme financial stresses in order to maintain the company's viability as a going concern.

Standard 11: Custody and Investment Risk

A PPS should safeguard its own and its Participants' assets and minimize the risk of loss on and delay in access to these assets. A PPS's investments should be in instruments with minimal credit, market, and liquidity risks.

Interac does not process the payment clearing or settlement for the Services' Participants and does not hold any assets of its Participants.

Interac's investment strategy is to hold cash and cash equivalents. This provides Interac with a very high level of liquidity, which is in line with the ERMF. Interac's assets are primarily held at Canadian federally regulated financial institutions ("FRFIs") which are obligated to adhere to the Canadian regulatory requirements and expectations for FRFIs and are under the supervisory oversight of the Office of the Superintendent of Financial Institutions ("OSFI"). Interac relies on the regulatory oversight of these FRFIs to evaluate their accounting, safekeeping, and internal control structure.

Standard 12: Operational Risk

A PPS should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business-continuity management should aim for timely recovery of operations and fulfillment of the PPS's obligations, including in the event of a wide-scale or major disruption.

Interac has developed an operational risk management framework which sets out the requirements for the identification, management, and monitoring of operational risk, aligned to the ERMF. The Board-approved Operational Risk Management Framework ("ORMF") indicates the roles and responsibilities to ensure the adequate and effective management of operational risks. The Board reviews and approves the ORMF at least every (2) years.

The methodologies employed for the organization wide risk assessments are incorporated in the annual/quarterly operational risk assessments. The Enterprise Risk Assessment ("ERA") includes a comprehensive evaluation of risk factors for each major risk category, including risk definition, identification of risk owner(s), assessment of risk impact and likelihood, overall risk ratings, existing controls, residual risk ratings as well as management action plans.

Interac's operational risk management involves distinct oversight programs tailored to different risk types. The operational risk sub-types are supported by reviews, audits and testing where relevant.

Interac requires Participants to attest to their own risk management activities over key operational risks, including how Direct Connectors manage operational risks related to Indirect Connectors. Third party assurance along with other periodic compliance assessments support the identification, monitoring, and management of both internal and external sources of risks arising from Interac's operational activities, infrastructure, and IT systems.

Interac sets annual corporate objectives for system availability and deployment of changes. These objectives are communicated across the organization and all personnel responsible for the Services are accountable against them. The operational KPIs are reported in the monthly operational report to the relevant forum. If any of these KPIs are not achieved or are not achievable due to foreseen events, this is highlighted in the monthly operational report, with remedial action plan prepared and tracked by the responsible business unit(s).

IMN availability is closely monitored and tracked for deviations from operational and performance target(s). Interac actively manages scalability and capacity of the Services through testing and ongoing monitoring with the ability to adjust the capacity of the IMN as needed. Testing for scalability and adequacy of the Services' capacity includes several performance tests to ensure overall responsiveness of the application under different volume and stress conditions. Testing is performed to ensure that the IMN can always handle twice the peak load.

Interac has developed and operationalized a Business Continuity Management Policy, including Business Continuity Plans and a Crisis Response Plan.

Standard 13: Access

A PPS should have objective, risk-based, and publicly disclosed criteria for participation that permit fair and open access.

Interac provides fair and open access to the Services while relying upon risk-related participation criteria to maintain security and stability of the Services. The Services' participation criteria strike an appropriate balance between fair and open access and the stability and security of the Services.

To access the Services, Participants must meet a set of criteria which are outlined in various governing documents. These documents are available on Interac's extranet site and accessible by all Participants. They are also made available to potential participants under an NDA. High-level information about the Services' Participant roles is also available on Interac's website.

Participants are required to be in continuous compliance with all participation criteria in the governing documents. Interac monitors compliance with its participation requirements on an on-going basis and has clearly defined procedures for facilitating the suspension and orderly exit of a Participant that breaches or no longer meets participation requirements. If Participants are non-compliant, Interac may take pre-defined steps to sanction, suspend, and/or terminate access. In most cases, before termination or suspension, Participants are given the opportunity to remediate through exemptions or corrective action.

Standard 14: Tiered Participation Arrangements

A PPS should identify, monitor, and manage the material risks to the PPS arising from tiered participation arrangements.

The Services' rules, procedures, and agreements allow Interac to gather basic information about tiered participation in the Services. Interac manages risks arising from tiered participation arrangements and takes mitigating actions when appropriate.

Participants can be either Direct Connectors or Indirect Connectors. Direct Connectors connect directly to the IMN and Indirect Connectors connect through a CSP (a Direct Connector providing such a service). Both Direct Connectors and Indirect Connectors are Participants and are signatories to the agreements applicable to the Service(s).

Downstream participants are indirect participants who gain access to the Services through a Participant and are not Participants of the Services. As such, downstream participants have not executed the relevant agreements to become Participants in the Services.

Participants are required to manage the relationship with their downstream participants, including managing the compliance of the downstream participant with Interac rules. To the extent risks and non-compliance involve a downstream participant, Interac works with the relevant Participant and the downstream participant to address such situations.

Standard 15: Efficiency and Effectiveness

A PPS should be efficient and effective in meeting the requirements of its Participants and the markets it serves, with a particular consideration for the interests of end-users.

Interac meets the requirements of its Participants and the markets it serves, with specific considerations for the interests of Participants and end-users through:

- Service level targets ("SLTs") with Participants;
- Monitoring of SLTs by technology and operations teams; and
- Collection of feedback from Participants.

Interac evaluates the efficiency and effectiveness of the Services through various mechanisms such as Interac's Infrastructure Operations Center ("IOC"), assignment of a Client Solution representative to each Participant, and relevant Advisory and Standing Committees.

Interac has clearly defined goals and objectives for the Services that are measurable and achievable in the areas of minimum service levels, risk management expectations, and business priorities. The objectives are defined through a collaborative effort between functional units, technology units, and the Board. Interac measures its efficiency and effectiveness related to its operations and risk management against these agreed thresholds.

Monthly Network Operation Standing Committee ("NOSC") meetings are held with IMN Participants to exchange network operational information including discussion of operational issues, projects, initiatives, and problem logs.

Interac has established multiple avenues through which Participants can provide direct feedback to Interac:

- i. All Participants are assigned to a Client Manager, who is directly responsible for their relationship with Interac.
- ii. An annual Client Experience Program (“CXP”) survey provided to Participants.
- iii. Respective Advisory Committees and Standing Committees.

Standard 16: Communication Procedures and Standards

A PPS should use communication procedures and standards that meet common industry practices and use or accommodate relevant internationally accepted communication procedures and standards to facilitate efficient payment clearing, settlement, and recording.

The technical protocols used for the Services leverage international ISO standard protocols across both the card specifications and the IMN specification. The additional functional components required by the Services leverage international standards and best practice to address delivering payment functionality.

The Services employ a number of technical messaging standards. These specifications are listed in the respective Service’s Operating Regulations and other technical documents.

Participants are required to use Payments Canada systems in accordance with Canadian Payments Association rules, ACSS and Lynx, for clearing and settlement (either directly or via a Settlement Agent). These clearing and settlement obligations necessitate communication according to the ACSS standards. The Settlement File used for settlement captures individual transactions, are provided in commonly readable formats.

Standard 17: Disclosure of Rules, Key Procedures, and Market Data

A PPS should have clear and comprehensive rules and procedures and should provide sufficient information to enable Participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the PPS. All relevant rules and key procedures should be publicly disclosed.

The Services have clear and comprehensive rules and procedures, and Interac provides the necessary information to Participants to ensure they have an accurate understanding of the risks, fees, and other material costs they might incur participating in the Services. The Services’ governing documents outlined in PPS Standard 1: Legal Basis provide clear and comprehensive information for all Participants. Interac provides these governing documents to potential participants under NDA.

Interac provides Participants with the necessary documentation and training to facilitate their understanding of the Services’ rules and procedures and the risks they face from participation. Interac actively works with Participants during pre-onboarding, onboarding, and post-onboarding.

Interchange and switch fees are publicly disclosed on Interac’s public website in accordance with the Code of Conduct for the Credit and Debit Card Industry in Canada.

Interac provides reports on transaction volumes and values to the public in a variety of forms. Interac reports volumes and values through its newsroom, media articles and market interview. The Interac Corporate Year Review is publicly available on Interac’s website, where year-over-year revenue growth and transaction volumes are reported. Interac also contributes data relating to the Services to Payments Canada’s annual Canadian Payments Methods and Trends Report.

Standard 18: Recovery Plans

A PPS is expected to identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. This entails preparing appropriate plans for its recovery or orderly wind-down based on the results of that assessment.

Interac's recovery plan has been developed in line with the requirements of the PPS Standards for recovery and orderly wind-down, and contains a set of actions that Interac can take to address plausible extreme financial stresses in order to maintain the company's viability and the continued provision of critical services, particularly the ones designated as a PPS by the Bank of Canada.

Interac has an operational plan to ensure that its critical services and operations are maintained during periods of stress. The Business Continuity Management ("BCM") Policy establishes and maintains strong business continuity risk management practices at Interac, ensuring ongoing alignment with the expectations of all stakeholders.

The Crisis Response Plan, established in accordance with the BCM Policy has been established to ensure business continuity in case of a disruptive and/or unexpected event. It is designed to provide a playbook and serve as a reference for Interac to take appropriate response measures in the event of a crisis or any situation that requires an immediate, coordinated response by senior management.