



# Interac Corp. e-Transfer disclosure against the Bank of Canada's Risk Management Standards for Prominent Payment Systems

**INTERAC CORP.** A corporation amalgamated under the laws of the Province of Ontario.

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This disclosure may be found at [Interac e-Transfer Disclosure - Interac](#)

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Interac e-Transfer PPS Self-Assessment Disclosure as at April 30, 2025

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## Introduction

Interac e-Transfer was designated a Prominent Payment System ("PPS") by the Bank of Canada ("the Bank") on August 10, 2020.

The Bank of Canada [Criteria and Risk-Management Standards for Prominent Payment Systems](#) describes the risk management standards and key considerations that apply to PPSs. This document is intended to provide relevant disclosure to Participants (defined below) and stakeholders on Interac's e-Transfer governance operations and risk management framework against the 18 PPS risk standards.

### Interac and Interac e-Transfer – Key Information

Interac e-Transfer is a payment service that enables low value transactions for domestic digital money transfers within Canada. The domestic service is offered by over 250 Financial Institutions ("FIs") and enables customers to instantly send, request and receive money between accounts using an email address or mobile phone number. The Interac e-Transfer service is directly integrated into the mobile and online banking platforms of these FIs.

Interac Corp. ("Interac") is the organization that operates the Interac e-Transfer Service, along with other payment systems such as debit and automated banking machine ("ABM") infrastructures. Interac is responsible for the functional and operational management, continual development, and commercialization of the service, which is then offered to participating FIs, or "Participants".

Participants can be either Direct or Indirect Connectors, which describes how they access the Service (defined below). Direct Connectors connect directly to the Service and Indirect Connectors connect through a Direct Connector or Connection Service Provider and both are signatories to a Participation Agreement (PA) for the Service. Downstream Entities, which include affiliates, credit unions and co-brand partners, gain access to the Service through a Participant and are not Participants to the Service.

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

For the purposes of Interac's self-assessment, the Interac e-Transfer and Interac e-Transfer Bulk Disbursement services listed below (together "the Service") are in scope.

The following are Interac e-Transfer services:

- Autodeposit / Alias Payment ("Autodeposit")
- Q&A Send Money
- Request Money
- Interac e-Transfer for Business Real-time Account Number Routing Payment ("Interac e-Transfer for Business")

The following is an Interac e-Transfer Bulk Disbursement service:

- Bulk Disbursements / Bulk Payables / Bulk Receivables ("Interac e-Transfer Bulk")

These services fall under PPS designation standards in that they represent domestic money movement and are offered as general Canadian financial services that impact end customer usage and have the potential to pose risks to economic activity through disruption / failure in the payments system.

## Annual Statistics

Measure	2021	2022	2023	2024
Daily Average Value Processed	\$896 million	\$1.0 billion	\$1.3 billion	\$1.5 Billion
Daily Average Volume Processed	2.66 million	2.92 million	3.34 million	3.89 million
Number of Participants	29	31	35	37*

\*Interac e-Transfer has 37 Participants, of which 21 connect directly to the network and 16 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 e-Transfer is a Canadian currency payments system and operates under Canada's jurisdiction only. Defined rules and legal agreements are governed by Canadian laws and the laws of the Province of Ontario. Interac has legal agreements in place with all Participants, vendors, relevant stakeholders, and where needed, 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 who execute a non-disclosure agreement. All legal agreements, rules and procedures are communicated to – and reviewed by, as appropriate – Participants and relevant external bodies as required by law.

Interac's Board Risk Committee (BRC) and Management Risk Committee (MRC) monitor regulatory developments for new risks or in cases of heightened risk on an active basis. All risks to Interac, including regulatory, are monitored by both risk committees.

The Service is 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. This 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 Service as between Interac and the Service Participants is set out as follows:

1. PA (for each of Interac e-Transfer and Interac e-Transfer Bulk) - defines participation criteria, requirements and obligations for Participants offering their end-user Customers the ability to send or receive transfers using the Service, or to send to or receive from multiple customers of end-user Customers using the Service via the same or another Participant.
2. Enhanced User Features (EUF) Addendum (for Participants that offer their clients the ability to send a Request Money and/or register Autodeposit in Interac e-Transfer) – includes additional participation criteria for Request Money and Autodeposit features that were developed post the initial PA.
3. Participation Agreement Amending Agreement (PAAA) that incorporates certain provisions of the Master Services Agreement (MSA). The MSA was primarily put into effect for Interac's ABM and debit services at the time Interac restructured in 2018.
4. By-Law (for each of Interac e-Transfer and Interac e-Transfer Bulk) - 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).
5. Operating Regulations (Ors) (for each of Interac e-Transfer and Interac e-Transfer Bulk (N.B. Compliance with Interac e-Transfer ORs is required by Interac e-Transfer Bulk Participants as applicable)) - defines the regulations Participants must adhere to for certification and testing, marketing and trademarks, sender/receiver limits, safety and security, and disaster/recovery.
6. Rules for Network Payment (only for Interac e-Transfer (N.B. Compliance required by Interac e-Transfer Bulk Participants as applicable)) - defines the payment instructions, claims, settlement and reconciliation process, and the dispute and error process.
7. Amended and Restated Trademark Licensing Agreement - defines the licensing rights, standards, and terms for the use of any Interac-owned trademark set out in the Service ORs 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.
8. Tri-Party Co-Branding Trademark Licensing Agreement – defines the licensing rights, standards, and terms for the use of any Interac-owned trademark set out in the Service ORs as between Interac and Participants where they have co-branded arrangements.

The material aspects of the Service's activities that require a high degree of legal certainty are settlement period, finality (i.e., settlement advice file), netting, and default procedures. This high degree of legal certainty ensures that operational resilience is maintained via the rules and procedures that Participants are required to follow to meet their contractual obligations.

The Service's 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).

Prior to joining the Service, applicants are required to complete the Service's Application Form which provides a clear and consistent understanding of the content of Interac's rules, procedures, and contracts. Within the form, applicants must certify against a number of dimensions, including its settlement arrangement, its understanding of the documents that govern its participation, and that it meets all the requirements for participation.

In addition, the Interac Implementations team works with the Participant to provide technical onboarding support and any necessary checks before the Participant is eligible to transact in a production environment. Further operational support is provided to each Participant via a dedicated client manager.

The Service's rules, procedures and contracts are reviewed upon any material changes to the Service. Any new or change to existing functionality, service, rules, or procedures of the Service is socialized with the Interac e-Transfer or Interac e-Transfer Bulk Advisory Committee (role, responsibilities and composition set out below) as required by the PAAA and related MSA provisions, and where necessary a policy is developed to reflect the change.

Any new policy undergoes review with stakeholders and is presented to the Board for final approval. If the Board approves the new policy, there is a motion to direct management to make the necessary governing framework changes to the Service. All amendments to the rules, procedures and contracts are reviewed by the relevant Advisory Committee for alignment with the Board-approved policy and support. The process from creation to finalization to implementation has all the necessary industry-approved and Interac functional stakeholders involved, including, but not limited to, lawyers, compliance professionals, risk and fraud experts, service experts and technologists.

## 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.

Interac has a set of annual corporate objectives which cascade through its activities, including those of the Service, to support the safety and efficiency of the system. Governance arrangements at the corporate level (i.e., Board, BRC, MRC, etc.) apply enterprise-wide, and product governance specific to the Service are also in place.

Governance arrangements are defined and communicated through Interac's USA, MSA, rules, regulations, and by-laws. Additionally, Interac has multiple operational committees with Participants to manage the Service, and an Advisory Committee for business operational reviews. Corporate governance arrangements including Board and Committee mandates which outline the respective roles and responsibilities are shared with Interac's Board and Shareholders while product governance arrangements are shared with Participants.

Management is both responsible and accountable for execution of all operational activities at Interac, while the Board is responsible for oversight of Management. Interac has adopted the 3 Lines of Defence risk management model and has established and communicated the formal lines within the company, including reporting into both the Management team and the BRC. Interac also has an Enterprise-Wide Risk Management Framework ("ERMF") in place, that is applicable to the Service 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 Three Lines of Defense model, including authority, reporting lines across each line of defence.

The Board-approved ERMF sets the stage for risk tolerance policy at Interac through the establishment and definition of Risk Appetite Statements ("RAS"). RASs are expressions of how Interac perceives the risks to which it is exposed, and they articulate the types and amount of risk that Interac is willing to take and/or accept in the pursuit of strategic and operational objectives. The Board-approved Risk Appetite Framework ("RAF") has also been established to formulate how risk appetite definition, measurement, monitoring, and communication is implemented and facilitated across Interac, while clearly defining roles

and responsibilities of the Board, BRC, senior management, business leaders, and the risk management team. 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.

The Internal Audit (IA) function is part of the Corporate Governance group to ensure independence and objectivity. The Chief Audit Executive meets regularly with the Board's Finance and Audit Committee to discuss the effectiveness of the internal control, risk management and governance processes. The Finance and Audit Committee's oversight of the IA function includes responsibility for approval of the IA Plan, review of the IA reporting and monitoring of the remediation of material audit observations, and the functional management of the Chief Audit Executive role.

Relationships with Participants are managed under the Service's governing documents. These documents are available to Participants through the appropriate channels – either directly with the Participant or through Interac's extranet site, which is accessible to Participants, as well as potential participants under a non-disclosure agreement. Interac does not have a direct/contractual relationship with Participants' customers; however, given that Interac operates the Service, it manages a Help Desk and social media channels to assist in directing Participants' customer complaints. In addition, Interac's Ombudsman provides problem-solving services and conflict resolutions for external parties such as client/customers and end users where other channels of escalation remain unresolved.

The Service's governing documents impose requirements on Participants to help manage and mitigate 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.

Interac regularly attends industry forums and leads periodic and ad hoc Advisory Committee meetings. These meetings focus on business issues, as well as risks and interdependency risk exposures, relating to the Service. Furthermore, there are specific, formalized committees and, where requested by a Participant, one-on-one discussions with the Participant to discuss risk they are facing.

Interac also demonstrates accountability to owners, 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. These metrics are reviewed monthly by the MRC and quarterly by the BRC.

### **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 an ERMF in line with the commitment of the Board and Senior Management to establish and maintain good risk management practices. The ERMF is applicable enterprise wide and is thereby

applicable to the Service. 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.

As part of the ERMF, Interac has identified the categories of risk to which it is potentially exposed and subsequently defined the nature and amount of risk that Interac is willing to accept for each.

Interac's ERMF is primarily governed by two risk committees: (1) the BRC and (2) the MRC. Both committees have a role in defining and ensuring that the ERMF is relevant and effective, while also monitoring the ongoing performance and risk tolerances for the material risks identified. The Chief Financial Risk Officer (CFRO) has overall ownership and responsibility for the review of the ERMF on a minimum annual basis. The ERMF is reviewed and approved at least annually by the BRC and MRC on the recommendation of the CFRO.

Cross-functional risk reviews are conducted as part of the design of significant changes to Interac's products and services including the Service. 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.

Participants' risks are managed through the Service's governing documents. 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 a non-disclosure agreement.

Interac conducts an annual review and update of its risk taxonomy and has developed a formal risk assessment methodology and implemented a comprehensive annual Enterprise Risk Assessment along with a quarterly Enterprise Risk Assessment process to assess risks in a consistent manner. A comprehensive risk register, capturing the risks that are present based on the materiality identified in Interac's RAS, has been developed which includes a description of the risk, a rating of the risk impact (inherent and residual), the likelihood of occurrence and identified controls to mitigate the risks. Interac also conducts a review & refresh the RASs and metrics on an annual basis in alignment with the Risk Appetite Framework.

Interac has designed, developed, and implemented the Risk Control Self Assessment program. The pilot has been completed as part of the program launch, and its phased operationalization is currently in progress.

While the risk tolerance and control processes are governed by committees and designated leadership roles, the responsibility for developing and implementing day-to-day policies and procedures aligned to the objectives of individual functions lie with the business leaders, as does risk ownership. Business leaders are responsible for identifying risks, putting controls in place, and making recommendations to mitigate identified risks. They are also responsible for ensuring that operational activities are carried out in accordance with the ERMF, RAS, policies, and procedures.

Interac's Risk Management team is involved in all major initiatives and therefore helps Interac ensure there is coverage for material risks. In addition, the Risk Management team participates in the stand-ups for major initiatives where the business leads raise and discuss project issues and risks.



Interac continues to enhance and operationalize its Data Governance Program (DGP). The DGP governs the people, processes, and organizational structures required to appropriately manage data through its entire lifecycle. The DGP helps Interac identify and manage the data risks that could harm Interac and stakeholders, including those who rely on the Service.

***Risks that arise in or are borne by the Service***

At the Service-level, Participants are responsible for managing risks arising from the Participants' own customers and from their own third-party relationships entered to offer the Service to their customers as set out in the Service's governing documents.

Categories of risk managed through the governing documents include fraud, liability, privacy (including anti-spam), intellectual property, reputational, operations and information technology.

Interac does not have a direct/contractual relationship with Participant's Customers with respect to use of the Service; however, given that Interac operates the Service, it manages a Help Desk and social media channels to assist in directing Participant Customer complaints. Where Customers may be experiencing issues with addressing concerns directly with their Participants, Interac will directly contact those Participants to ensure that actions are being taken in accordance with the Service's governing documents.

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.

The Service's governing documents impose requirements on Participants to help manage and mitigate material risks identified by Interac. 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.

Interac regularly attends industry forums and leads the Advisory Committee meetings, made up of Participants on the Service. These meetings focus on business items, as well as risks and interdependency risk exposures, relating to the Service. Furthermore, there are specific, formalized committees for the Service's fraud and, where requested by the Participant, one-on-one discussion with the Participant to discuss risk they are facing.

The Service's rules require Participants to manage their risks, and those they pose to the Service, primarily through compliance with the Service's governance documents. In addition, the Service clearly defines the eligibility criteria for participation, and the basis for the requirement is to provide an initial assurance to the Service in terms of the type of entity that is being onboarded and how they are regulated.

The Service's Participants are FIs, as defined by the PA, and are expected to manage risks arising from the processing of transactions on the Service in accordance with their internal process and procedures, in line with requirements and expectations of their prudential regulators.

Key performance indicators and risks are shared through monthly performance from fraud monitoring, operational up-time metrics, and operational service meetings.

Risks in relation to Participant Customer complaints are brought to Interac's attention through its Help Desk or social media channels. If the complaints appear to be a material reputational or legal risk to Interac e-Transfer PPS Self-Assessment Disclosure as at April 30, 2025

Interac, they are escalated to Interac's Legal, Fraud and Communications teams at which time investigations are conducted that involve Participant engagement. Where complaints are indicative of, or an internal investigation indicates that there is, a growing trend, Interac's process at the product level is to commence working groups to address the issue through proposed policies and amendments. Proposed policies and amendments are subject to the review of the Advisory Committee at the product level and, where appropriate, up to the Interac Board.

Interac has developed and operationalized an Annual Compliance Program (ACP) to strengthen the validation of Participants' compliance with the Service's governing documents. The ACP requires Participants to attest to their compliance to Interac's requirements, specifically those defined as part of the ACP scope.

Interac has developed an Enterprise Vendor Management Framework (EVMF) and is in the process of establishing a clear and consistent approach to vendor management enterprise wide. The EVMF aims to help Interac maximize the benefits of its vendor relationships, while improving operational efficiencies and resilience.

## **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 PSPS 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.

Interac e-Transfer is a credit push payment instrument that relies on Participants' deferred net settlement practices. Interac's role in the Service is outlined in the Rules for Network Payment and the By-Laws. Interac's role is to provide the reconciliation and settlement advice to Participants, along with identifying the rules and procedures for disputes resultant of the financial advice.

The measuring, monitoring, and managing of credit risk associated with the Service is managed by Participants through acceptance of each transaction and bi-lateral settlement under the rules of the Lynx. Participants are responsible for the settlement payments aligned to the cut-off times agreed to. Interac does not take on credit exposure from Participants.

While implications for Participants defaulting are based upon the rules and models of Lynx, additional rules are identified for Participants of the Service through the Governing Frameworks. For example, a Participant can be terminated from the Service because of financial inability to settle and not being in good standing.

Interac will be modifying current settlement practices and migrating the Service's transactions to the new Payments Canada Real Time Rail Clearing & Settlement system. The new system will be based on a pre-funded real time gross settlement model and Participant credit risk will be eliminated.

## 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, specific collateral is not required from Participants. The collateral posted by Participants to Lynx meets the prudent valuation standards aligned to the Bank's requirements.

Interac will be modifying current settlement practices and migrating the Service's transactions to the new Payments Canada Real Time Rail Clearing & Settlement system. The new system will be based on a pre-funded real time gross settlement model and Participant collateral risk will be eliminated.

## 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 in relation to the Service transaction payments. The liquidity risk arising from the Service transactions is measured, managed, and monitored by Participants through acceptance of each transaction. Participants are expected under their contracts with Interac to identify, manage and monitor their funding flows and settlement requirements on an ongoing basis. The Service is not responsible for managing liquidity risk as the responsibility lies with the Participants.

Interac will be modifying current settlement practices and migrating the Service's transactions to the new Payments Canada Real Time Rail Clearing & Settlement system. The new system will be based on a pre-funded real time gross settlement model and Participant liquidity risk will be eliminated.

## 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 Service calculates the settlement obligations owed to and from each Participant and provides these in a settlement file (advice). The settlement advice provides the information required for Participants to settle. In its current state, the Service does not support real-time settlements and Participants are expected to settle by the next business day upon receipt of the settlement file.

In addition to the settlement advice, a reconciliation file is provided to help identify, reconcile, and resolve discrepancies. As a result of the Service's settlement advice, Participants are expected to settle through Lynx either as a Settlement Agent on their own behalf or as a Settlement Client through a Settlement Agent. Participants who do not have the ability to settle directly through Lynx leverage a Settlement Agent who can provide this capability.

As Canada is going through its Payments Modernization journey, the Service's transactions will be migrated onto Payments Canada Real Time Rail Clearing & Settlement which will affect real-time gross settlement for all Services.

Interac defines its Settlement Cycles as 24-hour periods starting at 00:00:00 ET and ending at 23:59:59 ET. In the case of weekends and holidays, the Settlement Cycle is extended to multiple days (e.g., Settlement cycle for Saturday, Sunday, and Monday begins on Saturday at 00:00:00 ET and ends on Monday at 23:59:59 ET). For transactions captured on national and Ontario provincial holidays, settlement happens on the next valid settlement date.

At the end of each Settlement Cycle, Interac calculates the settlement obligations of all Participants and provides totals for settlement purposes. The settlement payments must be made on the business day that the settlement file is created between 08:00:00 ET and 17:29:59 ET, with 13:00:00 ET used as the normal processing deadline for settling using Lynx. To further assist Participants with their validation for settlement instructions generated by the exchange, the exchange also provides reconciliation reports with transaction details.

Interac's Rules for Network Payment outline Interac's role and responsibilities in settlement, namely the calculation of the settlements to and from each of the Participants, as well as the settlement obligations of the Participants (inclusive of end-of-day advice of payments due). As such, the Service's transactions are settled the day after the transaction value date, and on weekends/holidays, up to 4 days after.

Interac will be modifying current settlement practices and migrating the Service's transactions to the new Payments Canada Real Time Rail Clearing & Settlement system. The new system will be based on a pre-funded real time gross settlement model and transactions will be cleared and settled immediately.

## Standard 8: Money Settlements

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.

This standard is not applicable to Interac given Interac is only responsible for calculation of the settlement amounts, in Canadian dollars, that are due to or from each Participant. Interac is not involved with the exchange of funds and the payment of the settlement amounts is made directly between Participants using the Lynx system.

Interac will be modifying current settlement practices and migrating the Service's transactions to the new Payments Canada Real Time Rail Clearing & Settlement system. The new system will be based on a pre-funded real time gross settlement model and money settlement risk will be eliminated.

## 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.

The Service's Rules for Network Payment set out the obligations of Participants who end up in a default scenario and the Service's internal procedures in the case of such a scenario.

The Service is responsible for the settlement calculations and for sending end-of-day advice for payments due to the Participants. Settlement payments are the responsibility of each Participant. Accordingly, under the existing contractual terms, the Service is not required to cover losses or contain liquidity pressures arising from a Participant's default.

While Interac does not bear the financial consequences of default, it recognizes the importance of managing the risk of default to the broader Canadian payment's ecosystem. Interac considers the following as mitigants to this risk exposure:

- Interac's Participants are Financial Institutions, incorporated in Canada and carrying on, under the regulatory supervision of federal or provincial law, the business of providing financial services in Canada. As such, they are subject to financial solvency reviews and minimum capital requirements.
- Participants are expected to notify Interac in the case of potential or actual default, upon which Interac mitigates exposure to other Participants by immediately suspending the Participant and its customers to the e-Transfer platform.
- A Participant's financial exposure to other Participants in the Service is modest relative to the intra-day financial exposure to which the Participant is exposed in other payment systems (e.g., ACSS, Lynx).

The risk of financial loss as a result of Participant default is expected to be reduced significantly with the introduction of Payments Canada's Real Time Rail Clearing & Settlement system.

Interac has a set of clearly defined rules and procedures to address the scenario of a Participant default. These obligations are a discretionary process triggered upon notification from the Participant of its

default as contractually required per its PA with Interac. The Service's Rules for Network Payment set out the obligations expected of defaulting Participants. Participants fall into two categories: (1) Settlement Agents that settle payments with other Participants directly (on Lynx), and (2) Settlement Clients that settle payments with other Participants through the services of a Settlement Agent.

A Settlement Agent is liable for settlement payments to other Participants, and this obligation continues in the event a Settlement Client to which it provides settlement services defaults or is suspended or terminated.

A Settlement Client is liable for settlement payments to other Participants through a Settlement Agent appointed on its behalf. In the event that its Settlement Agent defaults or is suspended or terminated, the Settlement Client is required to make arrangements to settle its obligation by payment message through the Lynx.

Interac will be modifying current settlement practices and migrating the Service's transactions to the new Payments Canada Real Time Rail Clearing & Settlement system. The new system will be based on a pre-funded real time gross settlement model which will effectively eliminate Participant default risk.

## **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 always be sufficient to ensure recovery or orderly wind-down of critical operations and services.

An annual budget is established ahead of each fiscal year and presented to the Board of Directors for approval. On a monthly basis, Interac produces cash flow projections to monitor actual monthly financials against forecast and budget.

In addition to the cash flow projections and monthly monitoring process, Interac maintains a capital reserve to cover unexpected/large operating expenses arising from periods of stress. Interac primarily holds its assets in cash and cash equivalents only, both of which are highly liquid and held at three Canadian Domestic Systemically Important Banks (D-SIBs) and one US bank that holds restricted funds for Interac's Cyber Captive insurance program.

A framework and approach for Interac in the management of its finances and its financial risks and the establishment of clear and effective financial accountability is in place. Policies and Practices specific to liquidity and investments ensure a liquidity buffer is available in the event of adverse events and a clear focus on risk adverse investments.

The financial risk management process is designed to identify, monitor, and manage general business risks. 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.

Interac has developed a Financial Governance Framework that sets out the philosophy, framework and approach for the management of its finances and its financial risks and the establishment of clear and effective financial accountability.

Interac maintains a liquidity buffer based on an annual calculation. The liquidity buffer is monitored monthly and reviewed by the Board 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 if it experiences general business losses.

Interac holds liquid net assets in the form of cash and cash equivalents. These assets are highly liquid in nature.

Interac has developed the Annual Plan that sets out its current liquid assets, Annual Budget, Monthly Forecasts which enable review of the actual current operating expenditures against both forecast and budget. Interac's current liquid net assets are held to cover general business risks and are highly liquid in nature. These liquid net assets enable Interac to have confidence it will meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions. Should the need for a capital call be identified, the standard process is followed for request and approval.

## **Standard 11: Custody and Investment Risks**

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's assets primarily consist of cash and cash equivalents, which are held at three Canadian D-SIBs and one US Bank (established to hold the restricted funds for Interac's Cyber Captive insurance program). Interac does not hold the assets of any of its Participants, given its role is only to calculate the settlement payments. Interac chooses not to hold any investment volatile instruments as assets, providing it with the highest quality of liquid asset.

A framework and approach for Interac in the management of its finances and its financial risks and the establishment of clear and effective financial accountability is in place. Financial governance includes the processes, practices and infrastructure that ensure Interac's objectives for financial management, financial compliance and financial process control are met and its financial risks are managed appropriately from the risk governance accountabilities of the Board and throughout Interac as well as policies and practices covering risk governance, liquidity and investments, and financial planning.

Interac's assets exclusively consist of cash (primarily Canadian currency) and cash equivalents, which are highly liquid.

Interac's investment strategy, as articulated in its Financial Governance Framework, is to not hold any volatile investment instruments, preferring an investment strategy of holding cash and cash equivalents (highly rated, highly liquid) as its assets. This provides Interac with the highest liquidity, which is in line with its ERMF.

## **Standard 12: Operational Risk**

A PPS should identify the plausible sources of operational risk, both internal and external, and mitigate their impact using 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's ERMF sets out how Interac delivers risk management, and it describes the assumptions, responsibilities and processes established to define and manage risk. Interac's RASs are in place for all risks in the risk taxonomy. The ERMF and RAS are applicable enterprise wide. As part of the ERMF and RAS, Interac has identified the categories of risk to which it is potentially exposed and has defined the nature of risk that Interac is willing to accept for each risk sub-type. In addition to the ERMF and RAS, Interac has refreshed its Cyber Security Framework (CSF) which added additional compliance standards as it relates to phishing, and alignment to Payment Card Industry Data Security Standard v.4.0.

The BRC is a governance forum with delegated responsibility for risk oversight at Interac. The BRC reviews and recommends that the Board approves the Enterprise Risk Management Framework and the Operational Risk Management Framework which sets out the expectations for risk management, including operational risk management.

Interac relies upon its Operational Risk Management Framework and Key Risk Indicators, and its related policies and processes for the consistent management of operational risks, including for the Service. Interac has risk sub-type specific approaches to the identification, management, mitigation, and monitoring of operational risks.

Interac identifies, manages, and monitors operational reliability through its initial operational capability ("IOC") and critical vendor CGI. Operational reliability for Interac is designed to be achieved and tracked on a continual basis, to ensure high availability, and functioning of key components of Interac's products and services, including those pertaining to the Service.

Further, through appropriate design of its Business Continuity Plan and Disaster Recovery and hosting of the Interac network in technologically advanced data centers and recovery site, Interac aims to have an economically reasonable level of redundancy for continued operations, and timely recovery in the event of a disaster. Interac has developed and operationalized a Business Continuity Management Policy & Framework in addition to an enterprise-wide Crisis Response Plan.

Interac has set out clearly defined expectations for a high degree of physical and information security. This is managed and monitored through set review, testing and audit activities.

Interac actively manages scalability and capacity of the Service through testing and ongoing monitoring with the ability to deploy vertically and horizontally if demand requires.

Interac's Physical and Environmental Standard provides guidance on controls to prevent unauthorized physical access, damage, theft and interference to Interac's information and information processing facilities. Interac grants physical access to resources as a privilege, and the resources must be managed responsibly to maintain the confidentiality, integrity, and availability of all information assets.

The CSF consists of cyber security policies, standards, procedures, and guidelines for governing and structuring Interac's approach to manage cyber security risks and controls. Interac's CSF is applicable to all Interac products and services including the Bank of Canada designated prominent payment system (PPS) Interac e-Transfer.



Interac's Cyber Resilience Strategy guides the evolution of the cyber program and demonstrates the organizations commitment to continuously improving our cyber risk posture and protecting Interac's people, process, technology.

The Business Continuity Plan for each Business Unit (BU) is defined and documented in separate BCP documents designed for each of the key BUs. Additionally, and starting in 2025, Interac is also developing product specific BCPs, including an e-Transfer BCP following Business Impact Assessments.

Interac relies on its critical vendor CGI for data centre operations, including management of the Service's application systems and data, as well as secondary site management for switching Interac systems availability to relevant site (hot site) during an event which triggers the disaster recovery plan. CGI meets high reliability and contingency requirements through specific and transparent Service Level Agreements that CGI is contractually obliged to meet.

Interac relies on its critical vendor CGI for data centre operations, including management of the Service's application systems and data, as well as secondary site management for switching Interac systems availability to relevant site (hot site) during an event which triggers the disaster recovery plan. CGI meets high reliability and contingency requirements through specific and transparent Service Level Agreements that CGI is contractually obliged to meet.

Interac operates a 24/7 IOC monitoring the platform to proactively identify, detect, and mitigate risks related to Interac's platforms. This enhanced monitoring supports capacity management and reporting to ensure any Participant capacity issue, such as a Participant network link reaching a capacity warning threshold, is flagged and communicated to the Participant for action. In addition, if service availability deteriorates, the IOC can immediately take action to resolve the issue.

## Standard 13: Access

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

Access starts with participation. To become a Participant, a set of criteria must be met for the Service which are outlined in the Service By-Law, which is available on Interac's extranet site and accessible by all fully certified Participants and potential participants under a non-disclosure agreement. These criteria are considered to strike an appropriate balance between fair and openness of participation and the stability of the Service platform and risks to Interac.

Suspension and orderly exit procedures are also clearly defined in the same Service By-Law. Furthermore, Interac has developed an ACP to strengthen the validation of Participants' understanding and compliance with the Service policies, procedures, rules, regulations, and by-laws.

Potential participants are required to review all Service governing documents upon execution of a non-disclosure agreement. Compliance with the By-Laws is contractually required through the execution of the PA.

The Service's participation requirements are risk-based and are not mandated by law or regulation.

The Service's procedures for managing the suspension and termination of a Participant are outlined in the By-Laws.

A Participant may voluntarily terminate its participation in the Service by providing written notice to the Service, delivered no less than ninety (90) days before the effective date of the voluntary termination.

Interac intends to broaden access to Financial Institutions that are both Canadian Payment Service Providers under the Retail Payments Activities Act and Money Service Businesses registered with FINTRAC. These "PSP/MSB Participants" would owe additional compliance obligations which are specific to these Participants, and which ensure their safe participation in the Service.

## **Standard 14: Tiered Participation Arrangements**

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

The Service allows for tiered participation. Changes in FI arrangements are processed via technical implementation. There are two types of Participant connections:

1. Direct Connectors: Participants who directly connect to the Service; and
2. Indirect Connectors: Participants who connect to the Service through a Direct Connector or Connection Service Provider.

There are also non-Participant connections, which are referred to as Downstream Entities. Downstream Entities gain access to the Service through a Participant.

The obligations of Direct and Indirect Connectors as Participants are the same. Indirect connectors make up 6-7% of the total value and volume on the Service. A Connection Service Provider is an entity that connects one or more Participants to the Service and facilitates the exchange of messages to and from the Service on their behalf.

For settlement, there are two types of arrangements:

1. Settlement Agent: an entity who settles through Payments Canada's Lynx; and
2. Settlement Client: a Participant that settles through a Settlement Agent. In some cases, Settlement Clients are Lynx direct participants and choose to settle through a Settlement Agent

The obligations of Settlement Agents and Settlement Clients as Participants are the same. For settlement, Downstream Entities settle through a Settlement Agent appointed by the Participant.

In addition, Interac licenses the use of the trademarked Interac logo where a Participant partners with another organization to offer the Service. These "Co-brand Partners" sign an authorization agreement to use the Interac e-Transfer logo and partner with a Participant for use of the Service. The Participant takes on all obligations in relation to the Co-brand Partner. Interac monitors the risks associated with Participants.

The Service conducts ongoing 24/7 transaction monitoring of all Participants. This includes the measuring and monitoring of both operational performance and fraud scoring using the Service's fraud service. In addition, monthly reporting on volumes and values are provided to all Participants providing insight into

their performance on the Service. Interac relies on its Participants to manage and monitor the risks associated with tiered participation.

Interac has developed the ACP for its Participants. Participants are required to provide an attestation, verified by an independent audit, that they follow the Interac e-Transfer Regulations (the Regulations) and other Interac e-Transfer governing documents (together, the Requirements), specifically those set out in the ACP Guide. The scope relates to requirements relative to interoperability, service level agreements, funds recovery and reconciliation & settlement.

## 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 end users through:

- Definition of Service Level Targets (SLT) with its Participants that set out efficiency and effectiveness operational requirements;
- Monitoring of the SLTs directly by Technology and Operations Team;
- Collection of feedback directly from Participants through client experience and feedback programs; and
- Governance forums, which are engaged for consultation and feedback on various topics and issues.

The Service gains feedback on its products, services, and technology through governance forums and direct feedback to ensure it is meeting the needs of the market with its Participants, summarized below.

There are various governance forums that enable feedback to be provided by a sub-set of Participants:

1. Advisory Committee has the mandate to provide input, advice, and support to Interac on policy and business issues relating to the Service.
2. The Risk Management Standing Committee meets to provide guidance and input to Interac with respect to fraud mitigation strategies for all products and services, including the Service.
3. Chief Information Officers (CIO) Forum meets with the Chief Information Officers (or equivalent) from several major Participants.

All Participants have two avenues through which to provide direct feedback to Interac:

1. All Participants are assigned to a Client Manager, who is directly responsible for their relationship with Interac.
2. The annual Client Experience Program (CXP) survey of Participants.

Interac's corporate objectives cover the dimensions of (1) operational, (2) commercial/innovation & new ventures, and (3) people and process. The objectives are defined through a collaborative effort between functional units, technology units, and the Board, to strategize, review, approve, and include them into annual corporate objectives on a 3-year plan strategy. These objectives are monitored and reviewed monthly by management and presented to the Board on a quarterly basis.

Interac measures its efficiency and effectiveness related to its operations and risk management against these agreed thresholds.

## **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 Service employs a proprietary message standard that is being replaced over time using the ISO 20022 message format for Participants to transmit remittance data. The timing of this change differs by product. Interac e-Transfer for Business, which is the newest product within the Interac e-Transfer suite, went live on August 2021. It uses the latest ISO standard in its entirety. Legacy Interac e-Transfer products such as Autodeposit and Q&A are not as consistent, with the use of both ISO and non-ISO standards leveraged by different Participants, as well as different versions of ISO used for the implementation that varies by message types. Currently, approximately 95% of the market can receive with ISO 20022 message format and the number will continue to increase with the launch of Payments Canada Real Time Rail Clearing & Settlement system.

The Service's obligations for settlement require Interac to calculate the settlements for each of the Participants. Participants are responsible for settlement payments with other Participants, with payments made through the Lynx. These settlement totals are contained in the Settlement File that is prepared for each Participant at the end of each settlement period. The Settlement File, as well as the Reconciliation File that captures individual transactions, are provided in XML-based formats, one of the global industry data standards and default for many office-productivity tools.

## **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.

Interac e-Transfer services are governed by Operating Regulations and related documents such as the Rules for Network Payment that reference and provide insight into: Interac's proprietary fraud management system, security, and technology; the liability framework as between service participants where fraudulent transactions are concerned; and Interac's Canadian and U.S. patented Q&A messaging system.

Interac's policies, fees, rules, procedures, and regulations for the Service are fully disclosed and available on Interac's extranet site to Participants. Parties interested in joining the Service can access the documents under a non-disclosure agreement once they have filed an application.

The aforementioned documents are not made publicly available. Interac does not disclose the governance documents for the Service to the public to protect Interac's intellectual property (and competitive interests, and to prevent fraudulent scams and threats to the Service.

Policies, fees, rules, procedures, and regulations are comprehensively documented and clearly outline the expectations, obligations, and responsibilities, as well as the inherent risks, associated with participating in the Service.

Fees related to the Service are available through two fee schedules for Interac e-Transfer and Interac e-Transfer Bulk. Fee schedules include the fees associated with implementation and onboarding, transactions, billing, and maintenance. Similar to the rules and regulations, these documents are fully disclosed and available on Interac's extranet site. Again, Participants have full access to the site, while parties interested in joining the Service can access the documents under a non-disclosure agreement once they have filed an application.

The full e-Transfer pricing is published on Interac's public website.

Interac provides disclosure on the Service's transaction volumes and values to the public in a variety of forms. The Service reports volumes and values through its newsroom, media articles and market interviews. On the Interac website, specific information on the Service's volumes, fraud losses prevented, and other information is available. The Interac Annual Corporate Year in Review is publicly available on the website. This report provides extensive information about the Service, including notable enhancements to the Service and usage by consumers and businesses. This information is published in English only.

Interac has developed and operationalized an ACP to strengthen the validation of Participants' compliance with the Service's governing documents, including the Interac e-Transfer Regulations, Reconciliation and Settlement Guide and Rules for Network Payment. The ACP requires Participants to attest to their compliance to Interac's requirements, specifically those defined as part of the ACP scope. Interac has built the process for annual collection of Participant compliance outcomes. An ACP Guide, including scope, has been developed and socialized with Participants. Participants received individualized instructional training about the program.

## 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 maintains a recovery plan that extends and strengthens its Enterprise Risk Framework, enhances its resilience, and bolsters confidence in Interac's ability to function effectively even under extreme but plausible market conditions and operating environments. Interac's recovery plan has been developed in line with the requirements of the PPS Standards for recovery and orderly wind-down and has been reviewed and approved by the Board.

Interac will maintain this plan as well as sufficient liquid assets required to implement this Plan. For liquidity management, Interac holds cash and cash equivalents to address financial needs that may arise given an unexpected stress and will continue to use our business-as-usual processes and monitoring and reporting tools including liquidity buffer and survival horizon calculation to ensure a viable recovery.

Interac has an operational plan to ensure that its critical services and operations are maintained during periods of stress. The Business Continuity Management Policy and Framework and Interac Disaster Recovery Policy establish and maintain strong business continuity risk management practices at Interac, ensuring ongoing alignment with the expectations of all stakeholders.

The enterprise-wide Crisis Response Plan 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, or has the potential to quickly focus adverse news media, regulatory and/or public attention on Interac.

## Appendix A: List of Publicly Available Resources

No.	Key Resource	URL for public access
1	Board of Directors	<a href="#">The members of our Board of Directors   Interac</a>
2	Leadership team	<a href="#">The members of our Executive Team   Interac</a>
3	Corporate year end review	<a href="#">Corporate Year in Review   Interac</a>
4	Network Participants – Participant definition	<a href="#">Understand the network Participant roles   Interac</a>
5	Interac e-Transfer FAQ	<a href="#">Consumer Frequently Asked Questions (FAQs)   Interac</a>
6	Customer Support Form	<a href="#">Interac e-Transfer Support Form   Interac</a>
7	Fees	<a href="#">How does our fee structure work?   Interac</a>