

# Overview of findings from the retail payments supervision consultation

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## Introduction

Under the *Retail Payment Activities Act* (RPAA) and the *Retail Payment Activities Regulations* (RPAR), payment service providers (PSPs) must meet specific risk management and notification requirements. Under the RPAA, the Bank of Canada has the authority to determine how to apply the RPAA and RPAR, including by issuing guidelines respecting the manner in which the RPAA is to be applied. The Bank has created guidelines setting out the standards and practices that PSPs are expected to follow to comply with the RPAA and RPAR.

Between February and May 2024, the Bank carried out a public consultation on the following draft supervisory guidelines:

- safeguarding end-user funds
- operational risk and incident response
- incident notification
- notice of significant change or new activity

As part of the consultation, the Bank sought feedback on whether aspects of the draft supervisory guidelines could be clarified or challenging to implement.

The Bank thanks respondents who provided feedback. Through the consultation, the Bank:

- received 31 written responses
- met with 30 stakeholders

The Bank particularly sought feedback that represented the views of a cross-section of the industry. Stakeholders who participated in the consultation, through written responses, meetings or both, included industry associations,

potential PSPs of various sizes, financial institutions, insurance industry participants and other regulators.

This consultation summary, which will be published alongside the final versions of the supervisory guidelines, summarizes the key themes of feedback received through the consultation and the Bank’s responses. Some of the consultation responses raised issues with the substantive requirements set out in the RPAA and RPAR, including whether some of those provisions could be harmonized with other acts and regulations. That feedback falls outside the scope of the guideline consultation because the Department of Finance Canada is responsible for enacting and amending the RPAA and related regulations.

The Bank has now published the final supervisory guidelines:

- [Operational risk and incident response](#)
- [Incident notification](#)
- [Notice of significant change or new activity](#)

The final supervisory guideline related to safeguarding end-user funds will be published later in 2024. In the interim, refer to the [draft safeguarding end-user funds guideline](#).

The legislative and regulatory provisions covered in the guidelines come into force on September 8, 2025. The Bank expects PSPs to begin reviewing their compliance against the guidelines and, if necessary, make changes to support their compliance.

## Summary of feedback

The tables below summarize the key themes of feedback received on each guideline, and the Bank’s response.

### 1. Operational risk and incident response guideline

	Feedback theme	Feedback summary	Bank of Canada response
1.1	Third-party service providers: application of expectations to existing contracts	Stakeholders sought clarification on applying requirements to existing relationships with third-party service providers, and challenges with	The Bank expects that, for all contracts with third-party service providers commencing on or after September 8, 2025, a PSP will comply with all applicable sections of the RPAA and

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		renegotiating existing contracts.	<p>RPAR.</p> <p>Where a PSP needs to make amendments to existing third-party service provider contracts in order to comply with the RPAA and RPAR, those contracts should be reviewed and updated at the earliest renewal or revision date so that they adhere to the RPAA and RPAR by September 8, 2025, or as soon as possible thereafter.</p> <p>Nevertheless, a PSP must comply with all other requirements pertaining to third-party service providers, including monitoring performance and establishing compensating controls by September 8, 2025. PSPs should refer to section 12 of the guideline as well as Appendix H for further guidance.</p>
1.2	Assessment and oversight of third-party service providers	Stakeholders noted challenges in obtaining information from third-party service providers in order to assess them as part of their due diligence, including limited ability to negotiate specific contractual terms with third-party service providers.	<p>The Bank recognizes that not all contracts with third parties will be negotiable. Nonetheless, the Bank expects PSPs to manage the risks associated with engaging with third-party service providers, as appropriate, through monitoring and other measures.</p> <p>PSPs may rely on publicly available information or standardized disclosures made available by a third-party service provider for their due diligence, monitoring and assessment of third parties. Section 12 of the guideline has been updated to clarify this point.</p> <p>Appendix H of the guideline has also been updated to clarify that, when available, audit rights can be used by PSPs as a means to assess their third parties. However, it is not a requirement that PSPs have such rights.</p>
1.3	Proportionality and expectations for smaller PSPs	Stakeholders sought clarification on the application of proportionality, including further guidance about how PSPs could evaluate their own ubiquity and interconnectedness.	<p>The Bank recognizes the heterogenous nature of the PSPs that are subject to the RPAA.</p> <p>The operational risk and incident response requirements are principles-based. The Bank recognizes that the approach PSPs take to manage operational risk and response to incidents will be tailored to their specific circumstances. Amendments have been made to the Introduction of the</p>

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			<p>guideline to further clarify this point.</p> <p>Further examples have been added to various sections of the guideline to illustrate areas where it may be particularly relevant for a PSP to tailor its risk management and incident response framework to its circumstances, including in relation to expectations about roles and responsibilities, and the concept of separation of duties (section 3), and human and financial resources (section 4). These examples should not be considered exhaustive.</p> <p>The Bank also plans to publish targeted material in early 2025 that will be aimed at helping smaller PSPs understand the guideline’s requirements so they can establish, implement and maintain their risk management and incident response framework in a manner that best reflects their circumstances.</p> <p>Additional guidance for measuring ubiquity or interconnectedness will not be included in the guideline at this time. PSPs should consider their individual position in the broader marketplace, along with the factors of ubiquity and interconnectedness that are currently included in the guideline.</p>
1.4	The Bank’s approach to supervision of compliance with operational risk and incident response requirements	Stakeholders sought clarity on the Bank’s approach to supervising PSPs’ compliance with the operational risk and incident response requirements.	<p>The Bank will take a risk-based approach to supervising entities under its mandate. This means that the Bank’s supervisory rigour will align with the nature and amount of risk posed by the PSP and that PSP’s circumstances. This approach may include considering their size, the nature and complexity of their operations, organizational structure, technology, and other relevant factors. The Bank’s supervisory approach will also reflect the past compliance history of the PSP.</p> <p>As noted above, the Bank also recognizes that the approach that PSPs take to the management of operational risks and incident response will vary with the specific circumstances of the PSP.</p>

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1.5	Areas of specific challenge	Stakeholders noted the burden related to: (1) the expectation that objectives, reliability targets and indicators be approved by the senior officer and board (where one exists); and (2) how the criteria for assessing agents and mandataries may not be reflective of the risks posed by the relationship with those third parties.	<p>Section 2 of the Guideline has been updated to clarify that PSPs may use discretion to determine the level of granularity at which objectives, targets and indicators are approved by the senior officer or board (if any), provided that the selected approach gives the senior officer or board sufficient information and oversight to effectively perform their roles and responsibilities.</p> <p>In section 13, changes have been made to clarify the Bank's expectations regarding criteria for assessing agents and mandataries, to ensure they are commensurate with the risk posed by such relationships.</p> <p>The Bank recognizes that the PSP's own circumstances will inform the PSP's compliance. In some cases, the guideline has been updated to clarify that information provided in certain appendices is meant to provide examples of how PSPs can comply. These are not intended to be exhaustive sets of requirements as such examples may not apply to all PSPs.</p>

## 2. Incident notification guideline

	Feedback theme	Feedback summary	Bank of Canada response
2.1	24-hour incident notification requirement	Stakeholders noted challenges in meeting the 24-hour notification requirement to the Bank and end users.	<p>The Bank acknowledges that responding to incidents can be complex and that it may take time for PSPs to gather all the necessary information for accurate and prompt reporting.</p> <p>The Bank has updated sections 4.1 and 4.6 of the guideline to extend the notification requirement. PSPs will be required to notify materially affected end users, PSPs or clearing houses and the Bank about material incidents without delay, but no later than 48 hours after the PSP has determined that the incident had a material impact.</p> <p>The Bank also acknowledges that there may be specific situations where notifying parties that are materially impacted within this timeframe could</p>

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			<p>risk increasing the overall impact of the incident. In these cases, PSPs may contact the Bank directly, with the expectation that such cases will be limited in number.</p> <p>The incident notification process has also been updated to clarify that PSPs are allowed to submit staggered notices to the Bank, including initial, interim and final notices as necessary, while continuing to gather and submit detailed information as it becomes available. PSPs may also, at their discretion, issue follow-up notices to materially affected individuals or entities as incidents evolve. In line with section 4.4.3, the Bank may also require such follow-up notices be issued until all relevant details about the incident have been provided.</p>
2.2	Materiality thresholds	Stakeholders noted the burden of assessing materiality at the level of an individual end user.	<p>Section 18 of the RPAA specifies that incident notification is required where an end user, other PSP or clearing house is materially impacted.</p> <p>Incident notification thresholds related to overall transaction values and volumes, or to total number of affected end users, cannot be adopted since such thresholds are not specified in the RPAA.</p>
2.3	Determining material impact	Stakeholders sought clarification on some specific guidance and examples in the guideline relating to determining a material impact.	<p>Section 3 of the guideline has been revised to clarify examples of incidents and circumstances that could result in a material impact on an end user, a PSP or a clearing house. The guidance and examples in this section have been updated to emphasize that PSPs are required to notify the Bank only when they become aware of an incident that has a material impact on an end user, another PSP or a clearing house.</p> <p>The Bank expects PSPs to consider their specific circumstances, business model, the nature of the services they offer, and other relevant factors when determining whether an incident has a material impact on an end user, a PSP or a clearing house.</p>

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2.4	Harmonization	Stakeholders requested that the RPAA notification requirements be harmonized with notification requirements related to privacy breaches under the <i>Personal Information Protection and Electronic Documents Act</i> (PIPEDA), in order to reduce the potential for duplication of notifications to end-users.	<p>Incident notice obligations under the RPAA apply where there is a reduction, deterioration, or breakdown in a PSP's retail payment activities that has a material impact on an end user, another PSP or a clearing house. This obligation is broader in scope than privacy-breach reporting requirements of PIPEDA (which is limited to personal information).</p> <p>The Bank recognizes that confidentiality breaches involving personal information that have a material impact on end users or other parties may be within the scope of both the RPAA and PIPEDA notification obligations. To reflect this, section 3.1.4 of the guideline seeks to align the assessment of "material impact" for confidentiality breaches under the RPAA with the approach for notifications under PIPEDA—specifically, the "real risk of significant harm."</p> <p>PSPs should recall that confidentiality breaches under the RPAA that have a material impact may not be limited only to breaches of personal information.</p> <p>PSPs should ensure compliance with both regulatory regimes. In the event an incident is notifiable under both the RPAA and PIPEDA, PSPs may provide a single notice to end users, provided it meets the requirements of both regimes.</p>
2.5	Interaction between PSPs and the Bank of Canada	Stakeholders sought clarity on how PSPs will provide their incident notices to the Bank and how the Bank will communicate with PSPs after they submit an incident notice.	PSPs will be able to submit initial, interim and final incident notices to the Bank using a form on PSP Connect. PSP Connect will also have a message centre that the Bank will use to follow up with PSPs on their notices.

### 3. Notice of significant change or new activity guideline

	Feedback theme	Feedback summary	Bank of Canada response
3.1	Definition of material impact	Stakeholders sought clarity on what changes would be considered to have a material impact and would therefore be deemed significant.	<p>Section 2 of the guideline has been revised to explain that a material impact on operational risk is any impact that:</p> <ul style="list-style-type: none"> <li>▪ changes a PSP’s operational risk</li> <li>▪ exposes the PSP to a new category of operational risk</li> </ul> <p>Additional examples of changes have also been added to the guideline to help PSPs identify significant changes. The guideline now includes examples of:</p> <ul style="list-style-type: none"> <li>▪ changes the Bank expects will have a material impact on a PSP’s operational risk or how a PSP safeguards end-user funds</li> <li>▪ changes that <i>could</i> be significant changes depending on a PSP’s circumstances</li> </ul>
3.2	Geographic scope	Stakeholders sought clarity on the geographic scope of the significant change notification requirement, including whether changes made outside of Canada would have to be reported to the Bank.	Section 1 of the guideline has been revised to clarify that the significant change and new activity notification requirements apply only to retail payment activities that are captured under the RPAA.
3.3	Information requirements	Stakeholders sought clarity on what information PSPs will need to submit as part of their assessment of the effect of the change or new activity on their operational risks and on the manner in which end-user funds are safeguarded.	<p>Section 5 of the guideline describes the assessments that PSPs will need to submit as part of the significant change or new activity notice.</p> <p>The Bank has developed a notice form, which will be available through PSP Connect, that PSPs will be able to complete prior to any significant change or new activity. The form prompts the PSP to provide brief, paragraph-length descriptions of the likely effect that the significant change or new activity will have on the PSP’s operational risks and on how end-user funds are safeguarded.</p> <p>Good change and risk-management practices require that a PSP consider</p>



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			the risk implications of a change and whether any new or different controls are needed. The Bank expects that any PSPs making a change or undertaking a new activity will have considered the potential risk implications of the change or new activity before implementation.
3.4	Interaction between PSPs and the Bank of Canada	Stakeholders sought clarity on how PSPs will provide their notices to the Bank and how the Bank will communicate with PSPs after they submit a notice.	<p>The Bank has developed a significant change or new activity notice form that PSPs will be able to complete and submit through PSP Connect. If necessary, the Bank will use a message centre in PSP Connect to communicate with PSPs after a notice has been submitted.</p> <p>More information has also been added in Section 1 to explain the circumstances when the Bank will communicate with a PSP after receiving a significant change or new activity notice.</p>