# Payments Canada Responses to CPMI Consultative report: Extending and aligning payment system operating hours for cross-border payments

**OVERALL COMMENT: Payments Canada did not consult the Canadian RTGS Participants as part of this survey response – these responses reflect our views as the RTGS operator. At present, there is limited demand in the Canadian ecosystem for extended RTGS operating hours. As such, these responses should be considered as preliminary thoughts and not formal industry feedback.**

1. Can the extension of real-time gross settlement (RTGS) systems' operating hours materially contribute to achieving the cross-border payments targets endorsed by the G20, especially in terms of speed? Please explain.

Undecided. We're not sure how big the barrier is today with existing hours of operation. This would require consultation with our RTGS participants.

2. What additional actions would be needed by the public sector and/or private sector entities, beyond those described in the G20 roadmap (see Annex 3 of the current report, which I've copied below), to facilitate the extension of RTGS operating hours and realise the benefits that could result from extended RTGS operating hours?

The Canadian RTGS (Lynx) is already open 18 hours/day 5 days/week and is only closed on statutory holidays in Canada (10 days/year). In order for the Canadian economy to go beyond this, we would need to engage the RTGS participants to determine: 1) the desire to extend (there is limited demand, at present), 2) which hour(s)/day(s) are we extending to include (either opening earlier, closing later and which holidays we should we open for), and 3) the impact of being open longer (there will be impacts on resources, collateral usage, connected systems, processes, etc.)

3. What benefits for cross-border payments other than speed do you perceive would accrue from an extension of RTGS operating hours? What additional domestic benefits for a jurisdiction do you perceive?

This response would require consultation with RTGS Participants. We believe there would be limited domestic benefits outside increased ability for consumers/businesses to send same-day transactions later in the day (highest benefit to those in western time zones within Canada).

4. How well do the three identified end states capture key scenarios that individual central banks/RTGS system operators should consider as they assess current RTGS operating hours and plan for the future? What additional end states or refinements to the end states would you suggest?

We are of the opinion that these 3 end states capture all the relevant scenarios. We do however believe that as implementation decisions are made, each jurisdiction may take a hybrid approach across the 3 end states. For example, consideration should be given to extending operating hours to 5x24 rather than 7x24. Or under End State 2, consideration should be given to opening on non-business days but maybe only for a small subset of “normal” operating hours.

5. Which end state, out of the three identified (see above) or another one you may want to consider, do you believe strikes the best balance between improving cross-border payments and managing the associated challenges?
As the system operator, we are agnostic and would ensure we could facilitate whatever our members and the central bank agreed to. There would obviously be implications, though, and more analysis and discussion with users is required. End State 1 would likely have the least impact given that the most probable scenario would be to keep the Canadian RTGS open longer (i.e. past 18:30 ET), however this would have limited benefit in Canada. End State 2 would be quite impactful from a resource perspective. Having the RTGS operational on weekends/ statutory holidays would require additional personnel and/or additional resource costs (overtime, shift premiums, etc.). End State 3 is likely not achievable in the near-future. Participant systems and operations would have to be changed to run and support a system 24x7.

6. If the RTGS system in your jurisdiction has not yet reached the end state signalled in the previous question, what time horizon (number of years from now) would you envision for reaching it?

A formal decision has not been made regarding the extension of operating hours, therefore no time horizon has been determined. We would likely be well positioned to support ES1 as the RTGS can operate close to 5x24, but this would require support from the community as well as a strong business case.

7. As a result of end state 3, which involves 24/7 RTGS operating hours, do you anticipate demand for 24/7 operations of RTGS systems in the future? If so, what do you expect to be the main drivers and over what time horizon do you expect this to happen?

At present there is no domestic demand for 24/7 operations. The RTGS participants would be better positioned to answer this question.

8. Would your organisation make use of and/or benefit from extended RTGS operating hours?

We are the RTGS operator, we believe this question should be targeted at RTGS participants/users.

9. How useful do you view the global settlement window as a concept for considering the aggregate implications of extensions to RTGS operating hours in individual jurisdictions? What

alternatives or refinements, if any, would you propose in order to consider the aggregate implications of extensions to RTGS operating hours in individual jurisdictions?

We are the RTGS operator and not a user (i.e. we don't send payments through the system), we believe this question should be targeted at RTGS participants/users. We do, however, an appreciation for value to our members in moving towards a global settlement window. In 2002 we moved from what was a 10.5 hour day to 18 hours to accommodate for CLS settlement, given that CLS operates in CET.

10. To what extent have the operational and risk considerations related to an extension of RTGS operating hours been adequately identified? What additional considerations would you consider relevant?

As noted in our response to #2, the Canadian RTGS ecosystem would have to determine what extension we are pursuing (i.e. End State 1, 2 or 3) and then work towards identifying the challenges and risks.

11. What would you identify as the top five considerations related to an extension of RTGS operating hours in your preferred scenario (Q5)?

(Note: we did not identify a preferred scenario.) The top considerations, in no particular order, would be resource constraints, collateral usage/liquidity requirements, impacts on connected systems, costs vs benefits (e.g. potential volume of transactions during currently closed hours), changes to legal frameworks.

12. To what extent do the relevant considerations differ substantially depending on the end state being considered?

They differ quite a bit. Extending RTGS operations by 1-2 hours will be easier than extending to 24/7 or opening on a statutory holiday.

13. For the top five considerations that you identified in Q11, what mitigation measures could be taken to address them?

If we opted for End State 1 and only extended the closing of the RTGS by 1-2 hours, this would mitigate the impacts somewhat.

14. In your view, to what extent will the above measures require coordinated action by industry participants and/or support/guidance from authorities, such as central banks, standard-setting bodies and supervisors (as opposed to actions by individual stakeholders)?

In the Canadian context, any of the End States will require extensive industry coordination with the central bank, RTGS operator (us) and RTGS participants to determine which End State is preferable, the impact of changes and timeline for execution. Extensive coordination would have to be done at the global level as well.

15. If you are a stakeholder of an RTGS system that has extended its operating hours in the recent past, what were the key lessons learnt?

We have not recently extended our RTGS operating hours. As noted above, the Canadian RTGS is already open 18 hours/day (00:30 to 18:30 ET).