



## Payments Modernization - Podcast

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### *Transcript*

**Murray Bender:** RBC Investor & Treasury Services is pleased to present insights on the opportunities and challenges facing the financial services industry.

Today's podcast features Jason Sweeney, Senior Director of Enterprise Payments at RBC, discussing how the high-value payments experience is being enhanced and modernized. Thanks for joining us, Jason.

**Jason Sweeney:** Hi, Murray. Thanks for having me. Happy to be here.

**Murray Bender:** To start off, Jason, what is payments modernization? And how will it benefit clients that are using the Canadian payment system?

**Jason Sweeney:** One can say the modernization program within Canada is a multiyear journey, Murray, that will enable significant improvements to overall payment systems within Canada.

Payments Canada created the modernization roadmap a few years ago, back in 2016. And the focus was on the holistic payment ecosystem within Canada. And the goal was to modernize key payment schemas within Canada that include our high-value, low-value, and real-time execution of payments, basically allowing Canada to make a generational investment in all payment capabilities across multiple payment mechanisms.

And when I think about the benefits though. I think the benefits from the modernization program can be linked to probably five key core capabilities. And they're the following: allow faster and more efficient transactions; enable data-rich payments; interoperability for seamless cross-border payments; provide greater risk management capabilities; and the last and not least, a more convenient payment initiation and receipt.

**Murray Bender:** What role is RBC playing in the payments modernization process?

**Jason Sweeney:** RBC's playing a key role in my opinion within the modernization process within Canada, as well as globally. We are active participants with industry-led committees across all payment streams linked to the domestic payments modernization program here within Canada.

But we're also participating in committees that cross many jurisdictions, as modernization is not linked to the Canadian borders. And a good example of that is the SWIFT modernization of the cross-border payments ecosystem. And I think by participating at a domestic and international level, RBC has the opportunity to ensure our customers are at the forefront of the strategy that is currently being redefined within the payments ecosystem domestically, as well as internationally.

**Murray Bender:**

Let's take a look at high-value payments for a moment, which I know is your particular area of expertise. What are the key features and benefits of high-value payments modernization?

**Jason Sweeney:**

Yeah. Definitely high-value is where I spend the majority of my time within the payments modernization program. And I spent over 20 years within the high-value space and the operation space, so I'm very excited to talk about what's happening in the near term within Canada as well as the global market when it comes down to the high-value space.

When I think about the high-value payments modernization program within Canada, I think I'd talk about the next two near-term deliverables. And those are the next two releases that we have over the coming years.

The first release that will go live in the later part of 2021 will focus on the enhancement to the central settlement application that facilitates the Canada high-value domestic payment flow. Now today we call that an LVTS.

This change to this application will facilitate an overall change in the settlement risk model that truly benefits the Bank of Canada, and allows the Bank of Canada, the central bank, to adhere to the industry standards found within the principles of the financial market infrastructure for systemically important payment systems.

As well as adhering to these best practices, this release will build the foundational technology required to allow us to move forward in the future enhancements to support the new message type being introduced globally for payments, and that is ISO 20022 MX messaging.

When I think about this second release, the second release will come into play at the end of 2022. And this will be in conjunction with the release of SWIFT's new ISO cross-border payment mandate. This particular release will allow banks now to process this new ISO 20022 MX payment schema through the domestic high-valued system.

This release will set the foundation for subsequent changes within the payments ecosystem to start to deploy benefits related to ISO processing. And at this time, the true journey of ISO modernization can commence over the subsequent years.

As we set forth on this journey, this release will support one of the key elements to the program, which is the capability to allow greater data to travel with the payment order, which is simply a game changer within the high-value payments space.

Additionally, the new ISO format that's going to be introduced in the later year of 2022, will allow for greater harmonization for cross-border payments, allowing for a global standard for payment formatting.

And then finally, I can't talk about ISO without talking about structured data, and the new ISO 20022 format will allow for greater structured data to be passed within the payment, leading to potential efficiencies related to manual processing, reconciliation, and therefore a saving times and expenses related to back office processing.

This will also allow us the opportunity in the coming years to look at our current products and services, and this release will lay the foundation to innovate and expand current product offerings in those years to come.

**Murray Bender:** In your view, Jason—you just talked about some of the features and benefits—but in your view, what do you see as some of the challenges in modernizing the high-value payment system?

**Jason Sweeney:** Yeah. This is definitely a good question, Murray, and I talked about the longevity of the program and a multiyear program, and the holistic nature of the program.

And that's what first comes to mind is the pure scale of the change within Canada. As well, the scale of change that's happening internationally, because we're not doing this change in isolation. I think it's safe to say we've not seen such a change in the high-value space for many years, and it's imperative we get this right.

In addition to the scale of change, we can't forget the breadth of change. And what I mean by the breadth of change is the tentacles or the auxiliary systems that are impacted as a result of the new message format that is ahead of us.

The work that's needed has many components in the future to ensure full adoption. We also need to ensure that all actors are participating within the new realm of a payment ecosystem. And we have to make sure that we're travelling along with our clients, as well as our system vendors, to ensure that we set ourselves up for success as we start navigating this new world of ISO in the coming years.

And when I say coming years, this is a journey. And I think I can't underestimate that. The fact that we have a two-year plan ahead of us. But that is just near term. This will be a journey over multiple years as we look at consuming this new ISO format, and we look at those benefits as we move forward in the coming years.

**Murray Bender:** Finally, based on your—you'd mentioned over 20 years of experience in this area—what do you see as the most lasting impact of high-value payments modernization?

**Jason Sweeney:** I would say one word, and you've probably heard me say it quite a few times already, and it's ISO. This new message format that we're embarking on that will start being utilized at the end of 2022, will open up the door and give us an ability to expand our current thinking related to payments.

Don't get me wrong, a payment will always be a debit and credit, but it can be so much more in the future. And as we integrate ISO, and ISO becomes a common global standard across all banks, we can start rethinking the payment experience.

I truly believe the interoperability nature of ISO, plus the capability as I talked earlier of adding additional data along the payment chain, will transform how we do business in the coming years. Now that said, I think it's important to highlight, and I've highlighted already, this is a journey. These changes will take time, but I'm happy to say we are moving in the right direction, and the future of high-value payments looks bright from my perspective. Murray, it's been my pleasure. I love talking about high-value payments and would take the opportunity anytime to speak further as the journey continues over the next few years.

**Murray Bender:** Today's podcast has been brought to you by RBC Investor & Treasury Services, and we hope you found it useful. For additional insights on topics relevant to the financial services industry, visit [rbcits.com/insights](https://rbcits.com/insights). I'm Murray Bender. Thanks for listening.

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