



PAYMENTS
CANADA

THE FUTURE OF DIGITAL PAYMENTS IS HERE

CANADIAN PAYMENT METHODS AND TRENDS REPORT 2023

Payments Canada research

Author notes

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RESEARCH AT A GLANCE

The future of digital payments is here, highlighted by accelerated usage and diversified options for Canadians.

The most significant impact of the COVID-19 pandemic on the Canadian payment industry has been the acceleration of digital payment usage among consumers and businesses. As we emerge from the pandemic, more Canadians are comfortable using digital payments on an everyday basis and embracing digital payment innovations that make their payment experiences more frictionless.

There continues to be high usage of digital and contactless payments such as contactless payment cards, e-transfers and mobile wallets. Although older Canadians (55 years and older) are less likely to be early adopters of emerging payment innovations compared to young (18 – 34 years) and middle-aged (34 – 54 years) Canadians, they are interested in using more established digital payment methods such as contactless cards at a store to make a purchase, mobile payments and storing their payment information on a website/app for e-commerce purchases.

In other words, digital payments are not going away. The number of digital payment options for B2C¹, B2B² and P2P³ payments is growing and Canadians are adopting different digital payment methods for various payment situations.






¹ B2C or business-to-consumer payments are transactions made by a business to a consumer, which could either be an individual or small business.
² B2B or business-to-business payments are transactions made between two companies for goods or services.
³ P2P or peer-to-peer payments are transactions between two parties with separate bank accounts.

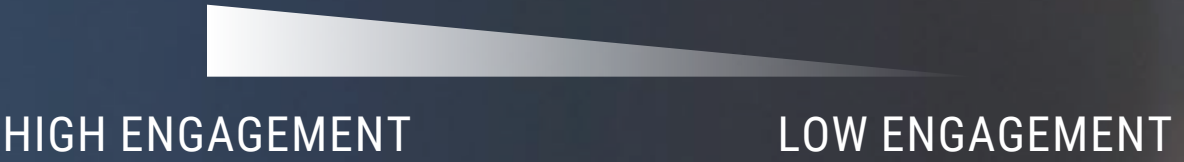
Key themes

THE CONSUMER SHIFT TOWARDS CONTACTLESS AND DIGITAL PAYMENTS HAS LED TO AN INCREASED DEMAND FOR MORE DIGITAL PAYMENT OPTIONS AND FRICTIONLESS PAYMENT EXPERIENCES.

Canadians are embracing payment innovations that make their payment experiences more frictionless. Young Canadians are more likely than older Canadians to try new digital payment options (see **Figure 1: How comfortable are you with the following payment options**). The pandemic has driven tendencies to search for products and services online, and has sparked higher engagement in digital payment options among older Canadians.

FIGURE 1: HOW COMFORTABLE ARE YOU WITH THE FOLLOWING PAYMENT OPTIONS?

		DIGITAL PAYMENTS USAGE		
COMFORTABLE WITH PAYMENT INNOVATIONS		18 – 34 YEAR OLDS	35 – 54 YEAR OLDS	55+ YEAR OLDS
	Make a payment using a wearable device	33%	23%	12%
	Ask a home assistant or smart device to make a payment	18%	11%	5%
	Send money using social media channels	17%	10%	6%
	Use biometrics to authenticate a store payment transaction	44%	36%	32%
	Make a store payment using QR code	32%	23%	13%



- ▶ Thirty-nine per cent of Canadians would likely use one-click pay⁴ when shopping online if it was available.⁵
- ▶ Forty-one per cent of Canadians would likely use invisible payments⁶ when shopping at a store if it was available.⁷
- ▶ Thirty-five per cent of Canadians would be comfortable with using scan, pay and go⁸ when shopping at a grocery or convenience store.⁹
- ▶ Thirty-seven per cent of Canadians would be comfortable with making a payment to a merchant using *Interac* e-Transfer for an in-store purchase.¹⁰
- ▶ Canadians are also comfortable with other payment innovations such as using biometrics to authenticate store payments (37 per cent), sending payments using wearables (22 per cent), quick response (QR) code¹¹ (22 per cent), smart devices (11 per cent) and social media channels (10 per cent).¹²
- ▶ A significantly higher proportion of older Canadians are now using digital payments compared to the start of the pandemic. This includes using contactless payment cards and mobile wallets to make a purchase and having their payment details stored on a website or payment app.¹³ For more, see **Figure 2: Digital payment usage behaviour among older Canadians (55 years or over).**

⁴ One-click pay is an online shopping feature that allows consumers to bypass inputting their payment card details and shipping/billing information at the checkout. Instead, consumers click a button to purchase the item that they wish to buy and payment and order fulfillment is taken care of by using personalized data on file with the retailer provided by consumers.

⁵ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

⁶ Invisible payment is a feature of cashierless stores that would enable customers to purchase products without being checked out by a cashier or using a self-checkout station. Instead, shoppers would set up an electronic account with the merchant and download a shopping app. When they arrived at the store, they would open the app and scan in with the QR code presented. Once shoppers had gathered their item(s), they would be able to walk out of the store and the scanner at the exit would automatically account for item(s) in their shopping basket and charge their payment card.

⁷ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

⁸ Scan, pay and go is a new way for making in-store purchases at a grocery or convenience store involving the following steps: download the app; open the app in a participating store and tap the "Mobile Checkout" icon on the home page; scan the barcode on each product to add it to a basket (discounts or promotions will be applied automatically); pay for purchases in the app using Apple Pay, Google Pay or a debit or credit card; and confirm the purchase by scanning the on-screen QR code at the confirmation station before exiting the store.

⁹ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.




¹⁰ Ibid.

¹¹ QR code payment is a contactless payment method where payment is performed by scanning a retailer's QR code from a mobile app on a smartphone. Open a QR scanning app and scan the code displayed at the store checkout, the website or paper bill and confirm the price, if required, before finalizing the payment.

¹² Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹³ Ibid.

FIGURE 2: DIGITAL PAYMENT USAGE BEHAVIOUR AMONG OLDER CANADIANS (55 YEARS OR OVER)

PAYMENT HABITS AND PRACTICES	TIMEFRAME	
	BEGINNING OF COVID-19 PANDEMIC (March 2020)	30 MONTHS INTO COVID-19 PANDEMIC (October 2022)
 Paid at a store by tapping your card against a terminal in the last month	77%	89%
 Used a mobile payment to make a purchase in the last month	14%	46%
 Have your payment details stored on any website/app	29%	43%



THE NUMBER OF DIGITAL PAYMENT OPTIONS AND FEATURES FOR B2C, B2B AND P2P PAYMENTS IS GROWING.

Emerging digital payment methods (such as “buy now, pay later”, digital credit or debit cards, cryptocurrency, contactless smartphone mobile wallet and biometric payment technologies) were used more in 2022 compared to 2021 as more businesses offered these payment options and features to consumers. Businesses see further payment innovation as a key factor in supporting their financial wellbeing.

- ▶ Fifty-three per cent of tappable smartphone mobile wallet users increased their usage of this payment method in 2022.¹⁴
- ▶ Fifty-nine per cent of cryptocurrency users increased their usage of this payment method in 2022.¹⁵
- ▶ Forty-eight percent of buy now, pay later users increased their usage of this payment method in 2022.¹⁶
- ▶ Twenty-six percent of consumers have used biometrics for at least one purchase in the past year.¹⁷
- ▶ Thirty-nine per cent of businesses within Canada and the U.S. used EFT credits for their payments to major suppliers in 2022 – a three percentage point increase from 2019.¹⁸
- ▶ Twenty-four percent of all businesses in Canada believe that payment innovation¹⁹ is extremely important to supporting their businesses’ health and growth.²⁰

¹⁴ For more, see: <https://www.theglobeandmail.com/business/adv/article-dramatic-change-in-payments-arrives-as-canadians-leave-cash-behind/>.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ AFP/J.P. Morgan. 2022 AFP Digital Payments Survey Report.

¹⁹ Payment innovation is described to respondents from our 2022 Business Payments Tracker Survey as transforming payments to be increasingly convenient, secure, instantaneous and to provide consumers with more payment options.

²⁰ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

CONSUMERS ARE ADOPTING DIFFERENT DIGITAL PAYMENT METHODS FOR VARIOUS PAYMENT SITUATIONS.

Consumers understand the benefits of digital payments including speed, security, ease of use and low cost. They recognize the benefits and trade-offs that they potentially make when choosing one digital payment method over another. For this reason, consumers rely on a range of digital payments depending on the need and payment situation.

As emerging digital payment alternatives are introduced and become established, it is expected that consumers’ repertoire of payment preferences will evolve. It could mean that they swap out one payment method for another (i.e., a better one), or that their overall range of preferred payment choices expands.

- ▶ *Interac* e-Transfer was mainly used for money transfers between two accounts at different banks belonging to the same individual (35 per cent), P2P payments such as repaying someone for money borrowed (43 per cent) or sending a cash gift to someone (36 per cent).²¹
- ▶ EFT was mainly used for getting paid for work (35 per cent) or recurring bill payments such as utilities (44 per cent), insurance (41 per cent) and credit card bills (40 per cent).²²
- ▶ Mobile payments were used mostly for bill payments (39 per cent), online payments (33 per cent) and P2P payments (31 per cent). However, more Canadians are beginning to use payment apps on their mobile devices for point-of-sale²³ purchases such as at a coffee shop (29 per cent) and other stores (22 per cent) via mobile payment apps.²⁴ The growth of in-store mobile contactless payments is expected to continue as mobile payment offerings mature and focus on creating engaging user experiences rather than just basic functionality.
- ▶ Thinking about the future of digital payments, 65 per cent of Canadians would send their payments in real-time²⁵ if the option was available. The top three use cases for sending payments in real-time were paying a credit card bill, government taxes and rent.²⁶ It seems likely that these scenarios represent consumer situations wherein the speed at which the payment is executed is critical, and where penalties may be incurred if there is a delay.
- ▶ Sixty-six per cent of Canadians would use real-time payments to receive a payment if the option was available. The top three use cases for receiving payments in real-time were government payments, getting paid by an employer and P2P transfers.²⁷

²¹ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

²² Ibid.

²³ Point-of-sale or point-of-service transactions include both physical and virtual merchant locations, including online and in-app purchases.

²⁴ TSI. 2022 Canadian Payments Forecast.

²⁵ Real-time refers to the exchange, clearing and settlement processes that take place instantaneously or no longer than one minute.

²⁶ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

²⁷ Ibid.



EXECUTIVE SUMMARY

The Canadian economy depends on the exchange of hundreds of billions of dollars each day. Payments Canada ensures that these financial transactions are carried out efficiently, safely and securely.

Each year, Payments Canada provides an overview of the payment trends observed in Canada through the publication of the Canadian Payment Methods and Trends (CPMT) report. This report provides expert insights on key drivers, emerging issues and relevant developments taking place within the Canadian and international payment ecosystems. The main objective of the CPMT report is to provide a holistic view of the payment market in Canada. This overview of payment behaviour and trends illustrates Canadians' use of different payment methods, and demonstrates shifts in payment behaviours.

Overall, a total of 20.5 billion transactions valued at \$11.7 trillion were conducted in 2022. The total Canadian payment market grew by four per cent in volume and seven per cent in value from 2021, building on the gains made a year ago (see **Figure 3: Total payments transaction volume and value**).

Economic activity returned to its prepandemic level in late 2021.²⁸ However, Canadians faced new economic headwinds in the form of historically high inflation and rising interest rates in 2022.²⁹ Consumer confidence in the state of the economy eroded and many Canadians anticipated a recession in 2023. As a result, most Canadians cut back on or postponed their spending. Instead, they focused on building a savings cushion due to rising recession fears.³⁰ So, even though the total payment market in Canada grew in both volume and value in 2022, it was not to the same magnitude as in 2021 as a result of weak consumer confidence.

²⁸ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/220201/dq220201a-eng.htm>.

²⁹ For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/230117/dq230117b-eng.htm>.

³⁰ For more, see: <https://www.bankofcanada.ca/2022/07/canadian-survey-of-consumer-expectations-second-quarter-of-2022/>.

Overall, payment trends remained unchanged in 2022 compared to the past five-year period. From a payment volume perspective, credit and debit cards continued to dominate the number of transactions and usage grew. Cash payments continued to decline but still sat in fourth position overall in terms of payment transaction volume. Cheques accounted for a small fraction of total payment volume and continued their decline (45 per cent decrease over the past five years). Online transfers also accounted for a small fraction of total payment volume but, unlike cheques, continued to show strong growth (328 per cent increase over the past five years) and are poised to overtake cash.³¹

From a payment value perspective, EFT and cheques continued to dominate the share of transaction value combining to represent 87 per cent of total value. EFT value grew by 11 per cent year-over-year in 2022, significantly lower than the 21 per cent year-over-year growth in 2021. This drop was due to a decrease in the value of government direct deposit payments caused by the trimming back of federal COVID-19 emergency benefits, such as the Canada Recovery Benefit, Canada Recovery Caregiving Benefit and Canada Recovery Sickness Benefit.³²

Contactless payments continued to be popular among Canadians. But, the impact of the pandemic on people’s payment behaviour, such as avoiding handling cash or touching card readers at the point-of-sale, has been waning since the start of the pandemic. For more, see **Figure 4: How much do you agree with the following statements since the pandemic started.**

Finally, in spite of the gradual return to in-store shopping, e-commerce continued to be an appealing option for consumers. E-commerce sales accounted for 6.5 per cent of retail sales in 2022, up from a share of 6.2 per cent in 2021.³³ Over half of Canadian consumers (55 per cent) made an online purchase in a given month during 2022.³⁴

³¹ ACSS 2022 Transaction Data.
³² For more, see: <https://www.canada.ca/en/revenue-agency/services/benefits.html>.
³³ Statistics Canada. Retail trade, December 2022. For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/230221/dq230221b-eng.htm>.
³⁴ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

FIGURE 3: TOTAL PAYMENT TRANSACTION VOLUME AND VALUE

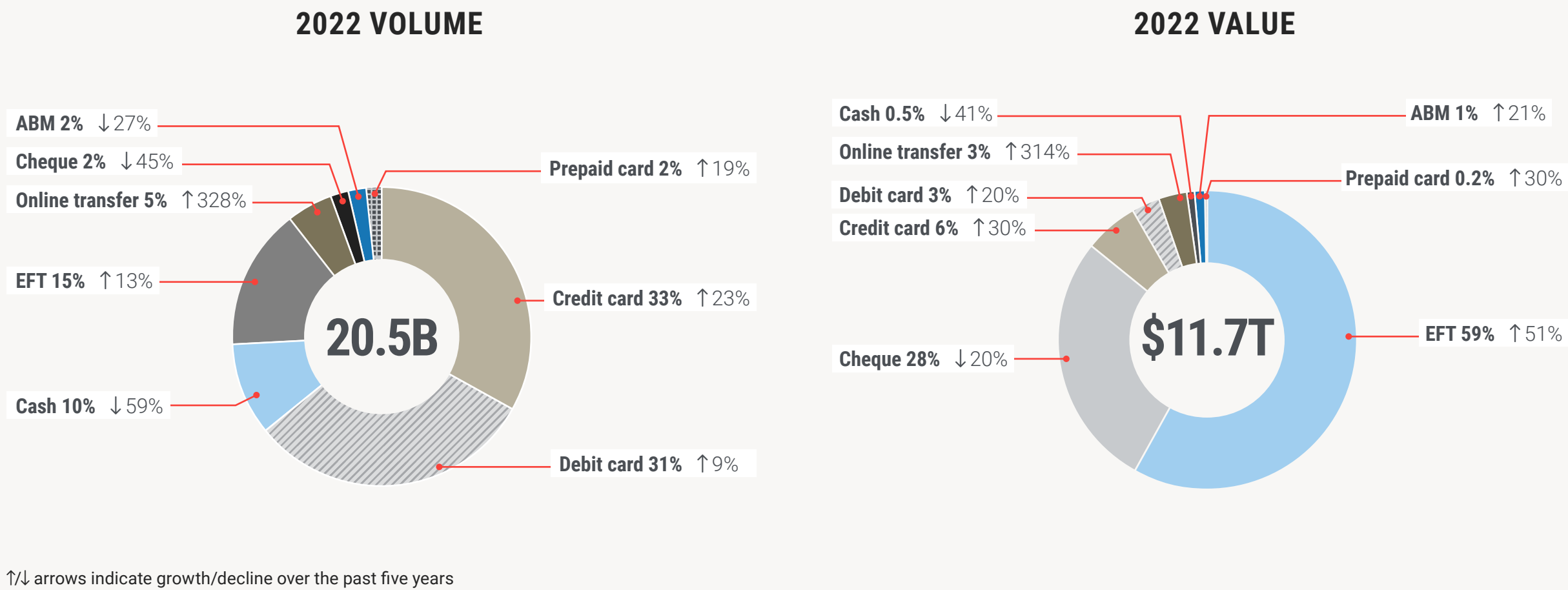
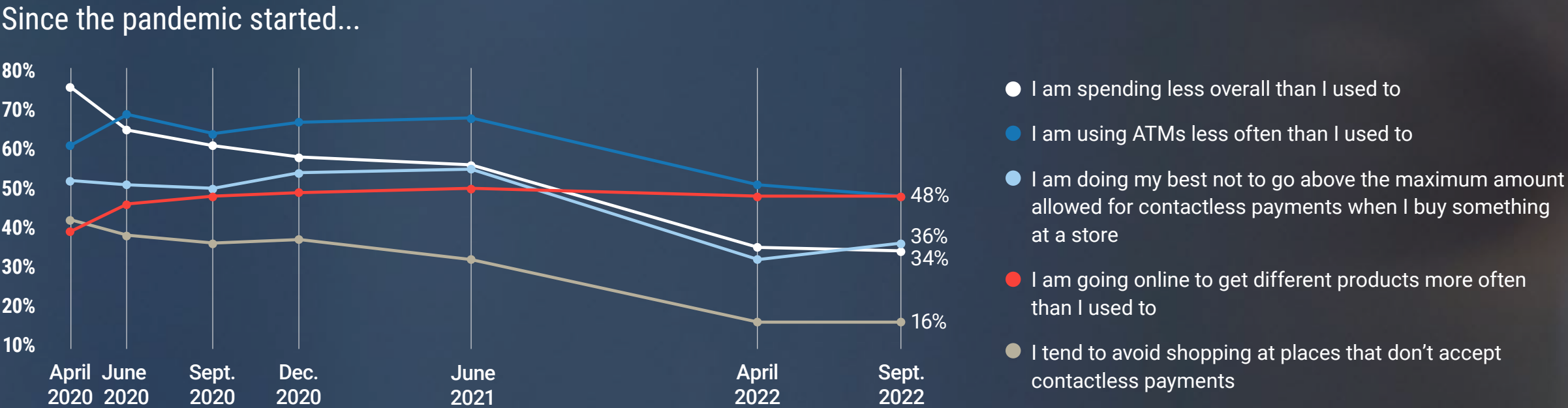


FIGURE 4: HOW MUCH DO YOU AGREE WITH THE FOLLOWING STATEMENTS?



Paper

Paper payment instruments include cash, cheques and paper items. Total paper transaction volume rebounded in 2022, increasing slightly by one per cent from 2021. The increase in total paper transaction volume in 2022 was mainly attributed to a year-over-year increase in cash payment volume of two per cent. Total paper transaction value slightly declined by one per cent from last year (see **Table 1: Paper year-over-year growth**).

Overall cheque transaction volume remained relatively unchanged compared to 2021 with a year-over-year increase of 0.2 per cent. This result was driven by a 10 per cent increase in personal cheque volume from 2021, which offset the five per cent year-over-year drop in commercial cheque volume.

TABLE 1: PAPER YEAR-OVER-YEAR GROWTH

Volume (in millions of transactions)

Payment method	2021	2022	Change %
Cash	2,038	2,077	+2%
Cheque (total)	404	405	+0.2%
Cheque (personal)	140	154	+10%
Cheque (commercial)	264	251	-5%
ABM	391	388	-0.7%
Total	2,833	2,870	+1%

Value (in millions of dollars)

Payment method	2021	2022	Change %
Cash	58,415	60,122	+3%
Cheque (total)	3,281,753	3,212,624	-2%
Cheque (personal)	51,200	58,200	+13%
Cheque (commercial)	3,230,553	3,154,424	-2%
ABM	55,152	85,044	+54%
Total	3,395,320	3,357,790	-1%

Card

Card payments include credit, debit and prepaid cards. Overall, total card transaction volume and value continued to build on the gains made from 2021 with all three card types experiencing similar rates of growth in 2022 compared to a year ago (see **Table 2: Card year-over-year growth**).

Credit cards continued to lead debit cards in terms of volume, and also made up the bulk of overall card value. However, debit cards continued to lead credit cards in terms of contactless volume. Debit card contactless transaction volume grew by 13 per cent from last year compared to eight per cent year-over-year growth for credit card contactless volume. Debit card contactless transaction value also grew more than credit card contactless transaction value year-over-year (25 per cent versus 14 per cent respectively). In spite of this, the total value of credit card contactless transactions was greater than that of debit card contactless transactions in 2022, but the gap is narrowing.

Although prepaid cards still account for a small fraction of total card transaction volume and value, year-over-year growth for prepaid card volume and value strongly rebounded in 2022 compared to 2021. Its year-over-year volume and value growth rate matched that of debit and credit cards. Prepaid card transaction volume and value grew by five per cent and nine per cent respectively compared to 2021.

TABLE 2: CARD YEAR-OVER-YEAR GROWTH

Volume (in millions of transactions)

Payment method	2021	2022	Change %
Debit card (total)	5,964	6,315	+6%
Debit card (contactless only)	3,849	4,370	+13%
Credit card (total)	6,469	6,787	+5%
Credit card (contactless only)	2,929	3,174	+8%
Credit card (remote ³⁵)	647	679	+5%
Prepaid	313	330	+5%
Total	12,746	13,432	+5%

Value (in millions of dollars)

Payment method	2021	2022	Change %
Debit card (total)	272,819	295,013	+8%
Debit card (contactless only)	93,977	117,508	+25%
Credit card (total)	632,753	673,816	+6%
Credit card (contactless only)	229,023	262,192	+14%
Credit card (remote)	63,275	67,382	+6%
Prepaid	19,670	21,510	+9%
Total	925,242	990,339	+7%

³⁵ Credit card remote transactions include all transactions that are not made at physical (brick-and-mortar) and virtual (online) payee locations. Instead, payors use financial institutions or payment service providers as intermediaries that move funds to intended payees through their services (i.e., for bill payments and ongoing subscriptions).

Electronic

Electronic payments include electronic funds transfer (EFT) and online transfers. EFT includes direct deposit, electronic remittance, pre-authorized debit and other online bill payment transactions.

Online transfers include electronic transactions initiated through online services and providers, which are either pre-funded or linked to deposit accounts at financial institutions (e.g., *Interac* e-Transfer, and PayPal).

Total electronic payment transaction volume and value experienced weaker year-over-year growth in 2022 compared to 2021. Online transfer transaction volume and value grew year-over-year in 2022 but not to the same magnitude as in 2021. Even so, the online transfer category continued its impressive run of double-digit growth in transaction volume and value as with previous years. EFT transaction volume remained relatively flat compared to last year while EFT transaction value achieved 11 per cent year-over-year growth. This is down from 21 per cent year-over-year growth posted in 2021 and is attributable to a reduction in the total value of government direct deposit payments made in 2022 (see **Table 3: Electronic year-over-year growth**).

TABLE 3: ELECTRONIC YEAR-OVER-YEAR GROWTH

Volume (in millions of transactions)

Payment method	2021	2022	Change %
EFT	3,081	3,101	+1%
Online transfer	1,007	1,118	+11%
Total	4,088	4,219	+3%

Value (in millions of dollars)

Payment method	2021	2022	Change %
EFT	6,225,588	6,931,749	+11%
Online transfer	324,790	387,255	+19%
Total	6,550,378	7,319,004	+12%

METHODOLOGY

Payments Canada worked closely with payment service providers, payment consultants and researchers to compile a comprehensive 2022 data set and provide insights into how Canadian consumers and businesses pay.

The general methodology involves a combination of industry data and market research.³⁶ Industry data is derived primarily from the Automated Clearing Settlement System (ACSS) data, industry payment card usage data and quantitative and qualitative market research sources.³⁷ Data is also collected from payment service providers and payment networks on an aggregated annual basis, based on actual payment instrument usage data. Survey research is used to fill data gaps and provide detailed insights.

The report compares data collected from 2022 with data from previous reports, allowing for the ongoing analysis of trends. In the following sections, 2017 and 2022 data is compared to understand how payment trends have evolved.³⁸ Year-over-year comparisons (2021 to 2022) are also considered.

Securities and derivatives transactions and trades are excluded from the research.³⁹ Payment types that have not reached significant volumes are also excluded. This includes payment methods that are less than one per cent of total transaction volume or value (such as digital currencies).⁴⁰ Finally, Lynx⁴¹ transactions are excluded⁴² to avoid double counting as the payment volume and value information in this report are derived from the clearing data.

³⁶ Appendix II includes details on methodology and assumptions, including consumer and business survey methodologies.

³⁷ The CPMT also includes value transactions that may not specifically be used for the exchange of goods and services. For instance, ABM transactions are used to obtain cash, where the cash is used for actual payments. Both types of transactions fall within the scope of this research as each forms an important element of the Canadian payments market. Payments Canada recognizes how this might pose as a form of double counting. However, the ABM transaction value accounted for two per cent of total paper payment value in 2022 so the impact is negligible.

³⁸ To view previous reports, please see:
Canadian Payment Methods and Trends: 2022.
Canadian Payment Methods and Trends: 2021.
Please note that certain methodologies for data collection were updated over the past two years when directly comparing figures from previous CPMT reports to figures presented here. Also, total contactless volume and value, and total credit card contactless volume and value figures are based on estimates provided in the TSI 2022 Payment Forecast.

³⁹ When a payment is made to purchase investments, the transaction will be counted among the appropriate payment segment. When derivatives, securities and other assets are exchanged and no payment is required or results, the exchange of value is not included.

⁴⁰ Fourteen per cent of adult Canadians reported ever holding cryptocurrency as an investment or using it for making a payment in 2022. For more information about consumer familiarity and likelihood of use, refer to the **digital currencies** section in the report.

⁴¹ Lynx is Canada's high-value payment system. The system processes large-value, time-critical payments with real-time settlement finality and complies with Canadian and international risk standards.

⁴² For analysis on Lynx, please see Payments Canada's **Annual Report**.





THE PAYMENT LANDSCAPE

The number of digital payment methods available to consumers and businesses is growing and many Canadians are choosing different digital payment methods for various situations.

Payments Canada is working to enhance payment experiences for Canadians through its Modernization program and other payment enhancement initiatives. Broader access to Canada's payment infrastructure is integral to these efforts. In June 2022, Payments Canada announced Peoples Trust Company as the first new direct clearer on the Automated Clearing Settlement System since its inception in 1984.⁴³

Payments Canada also engaged a diverse coalition of organizations, including members and non-members, to make a collective request of the federal government to amend the *Canadian Payments Act* to expand membership to its systems.⁴⁴

A second release of Lynx was successfully deployed in November 2022 and activated in March 2023 introducing the ISO 20022 financial messaging standard to the system. Release Two supports the simplification of cross-border payments as the standard is adopted

around the world, and helps align Canadian financial institutions with Swift's global implementation of ISO 20022.⁴⁵

In 2022, work continued on the Real-Time Rail (RTR) payment system. This new system will be Canada's first national real-time payment system. It will support faster, data-rich payments and act as a platform for payment innovation and competition.

While the use of cryptocurrencies is on the rise globally, particularly for investments, only nine per cent of Canadians used any form of cryptocurrency for sending payments in 2022.⁴⁶ The previous year marked a year of setbacks for cryptocurrency. The high interest rate policy pursued by central banks in Canada and around the world to fight higher inflation led to a large decline in value across all cryptocurrencies, ushering in the so-called "crypto winter". This led to the failures of some cryptocurrency firms, including hedge funds and exchanges. As a result, many investors either divested their cryptocurrency position in their investment portfolio, or reconsidered investing in cryptocurrencies for the first time.⁴⁷ The crypto winter may also adversely impact consumer interest in using cryptocurrency as a form of payment in future.

⁴³ For more, see: <https://payments.ca/payments-canada-announces-peoples-trust-company-new-direct-clearer-automated-clearing-settlement>.

⁴⁴ For more, see: <https://payments.ca/joint-letter-minister-finance-changes-canadian-payments-act>.

⁴⁵ For more, see: <https://payments.ca/systems-services/payment-systems/high-value-payment-system-lynx>.

⁴⁶ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

⁴⁷ For more, see: <https://www.forbes.com/advisor/ca/investing/cryptocurrency/crypto-outlook-for-2023/>.

PERSPECTIVES ON REAL-TIME PAYMENTS

By Zarin Ahmed

A real-time payment is the movement of funds and related transaction data in a matter of seconds, any hour of any day, from a payor to a payee. Real-time payments are credit-push payments, meaning that the payor initiates the payment, as opposed to debit-pull payments which are triggered by the payee. While current payment methods differ in terms of processing time, a real-time payment has the advantage of being completed immediately.

Payments Canada is developing a new real-time payment clearing and settlement system — the Real-Time Rail (RTR). This new payment system will support Canadians by enabling them to initiate and receive irrevocable payments between accounts at different financial institutions within seconds, day and night, 365 days a year. Organizations, such as financial institutions, will have an essential role to play in making real-time payments available to their business and consumer clients.

Underpinned by the ISO 20022 financial messaging standard, the RTR will support payment information, such as remittance information, traveling with every payment. Speed, data richness, finality of payment, and transparency are foundational capabilities that position the RTR to act as a platform for innovation.

Some of key features of the RTR are:

- ▶ **Real-time payments 24x7x365** — Payment message exchange and transaction processing, including settlement, completed within seconds, anytime of day or night, 365 days per year, with immediate funds availability to end users.⁴⁸
- ▶ **Irrevocable payments** — Payments are guaranteed without any concern that they might be reversed at a later time.
- ▶ **Payment information** — Use of ISO 20022, a global message standard which supports rich data traveling with every payment.
- ▶ **Transaction transparency** — Payment status notification to RTR system participants in real time, providing transparency and certainty for end-users.
- ▶ **Ubiquitous reach** — Enables widespread payment initiation and receipt.
- ▶ **A platform for innovation** — Support for RTR participants to leverage the functionality of the RTR to enhance existing payment products and services, and to develop new payment products and services.
- ▶ **Robust risk management** — Adherence to the Bank of Canada's risk management standards⁴⁹ to ensure safety and soundness.

⁴⁸ Except under circumstances where exceptions apply.

⁴⁹ Risk management standards for system designated as a "Prominent Payment System" — for more information on Prominent Payment Systems, see <https://www.bankofcanada.ca/core-functions/financial-system/oversight-designated-clearing-settlement-systems/>

Overview of the RTR ecosystem

The RTR ecosystem is a multilayered environment (see **Diagram 1**). End-users (i.e., payors and payees) will be able to initiate and receive real-time payments via RTR participants (i.e., Payments Canada’s member financial institutions that have become RTR participants; access will expand following implementation of new legislation—*Retail Payment Activities Act and Canadian Payments Act* reforms).

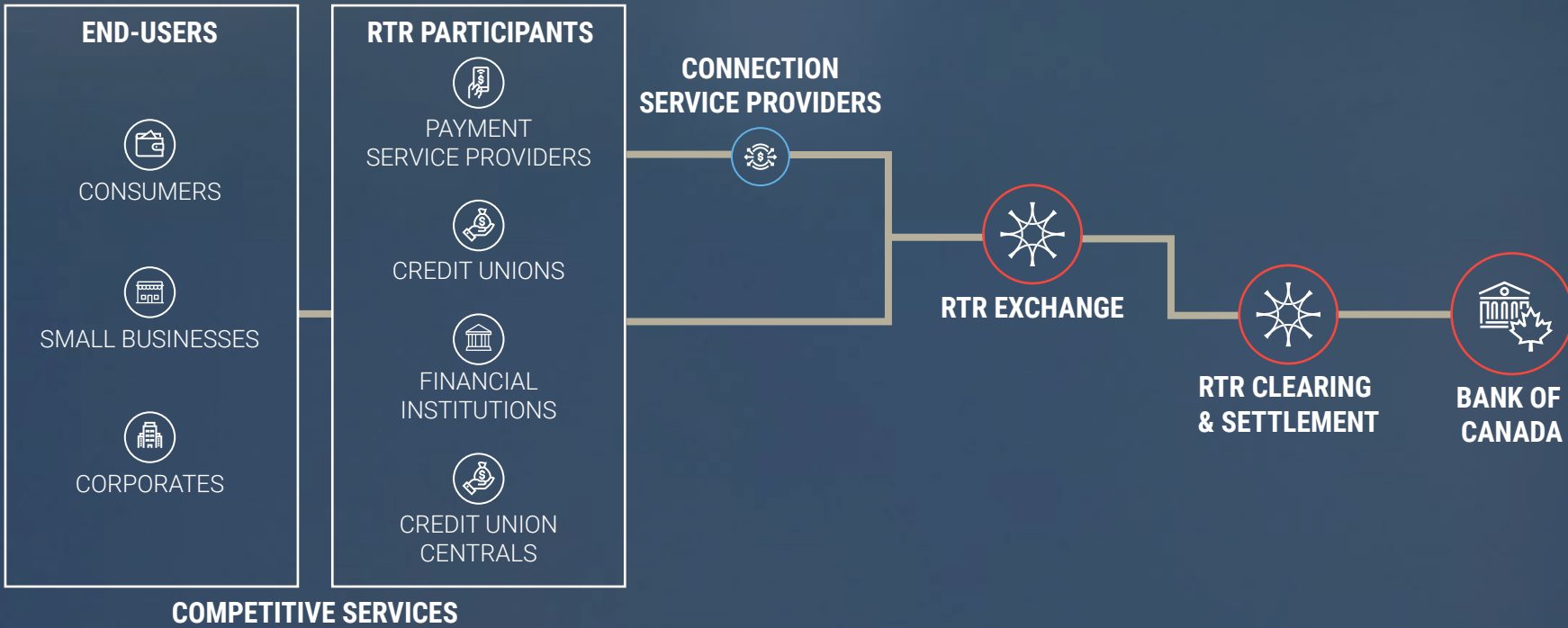
The RTR will include two main applications: the RTR Exchange and RTR Clearing and Settlement. The RTR Exchange facilitates the real-time exchange of payment messages between RTR participants. RTR participants may connect to the RTR directly or through a connection service provider. A connection service provider is an entity that connects a participant to the RTR Exchange and

facilitates the exchange of messages to and from the RTR Exchange on their behalf.

The RTR Clearing and Settlement component facilitates the clearing and settlement of payments that have been exchanged between RTR participants. The financial risk framework built into the system uses a pre-funded cash model and will use a real-time gross settlement mechanism where payments are continuously settled on an individual and gross basis in real-time. This reflects the RTR financial risk framework, designed to mitigate credit and liquidity risk within the system.

Intended as a platform for innovation, the RTR is being built in anticipation of competitive services: market-facing payment products or services that leverage the real-time payments functionality of the RTR, and can be offered by RTR participants, or third-parties together with RTR participants.

DIAGRAM 1: RTR PAYMENT ECOSYSTEM



What is the RTR made up of?

THERE ARE THREE ESSENTIAL ELEMENTS TO THE RTR:

Legal framework: By-laws, rules, and standards made pursuant to the Canadian Payments Act.

- ▶ By-laws establish the basic legal framework for the RTR and set out key rights and obligations in relation to the RTR system for RTR participants. Like rules and standards, the by-laws reflect foundational policy and operational and technological requirements for the system.
- ▶ Rules build upon system by-laws, providing greater detail on most topics, and address additional content.
- ▶ Standards setting provides consistent methods of messaging and communication to ensure uniformity within the system.

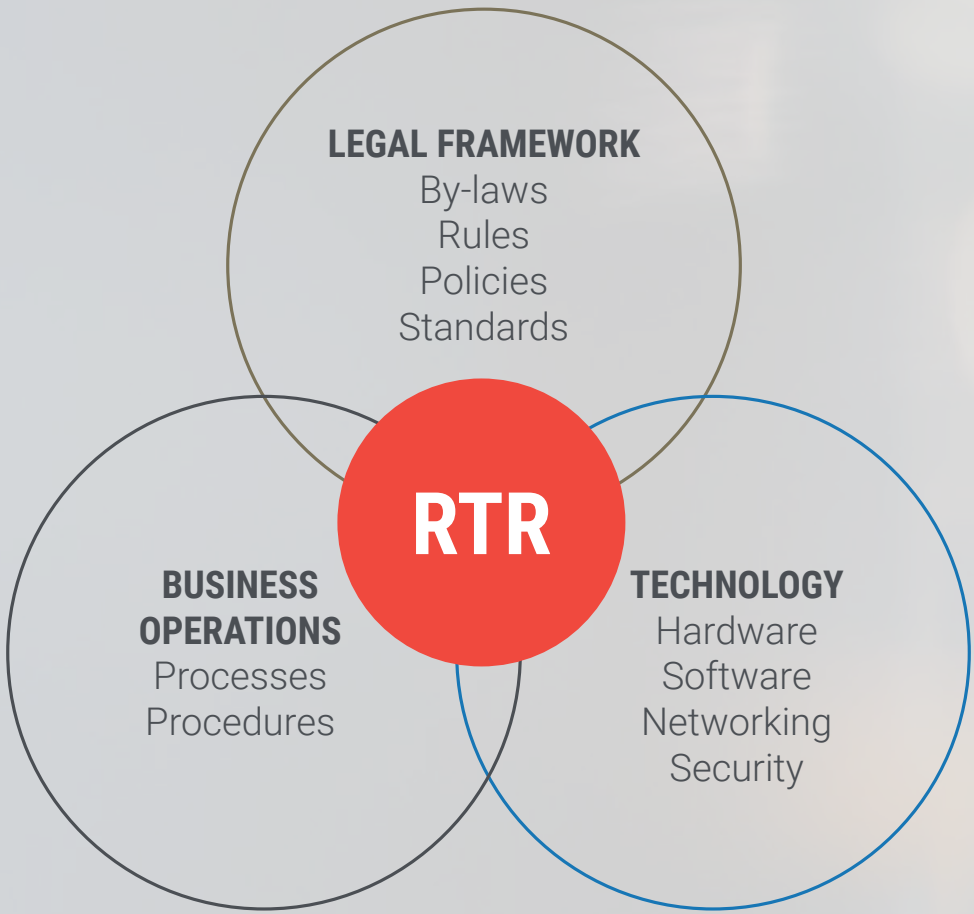
Technology: Hardware, software, networking and security.

- ▶ The technology generates the ability to initiate and receive real-time payments. Technology covers data centres, databases, data warehouse, reporting, applications, APIs, connectivity, and security capabilities.

Business operations: Processes and procedures.

- ▶ As system operator, Payments Canada will provide the RTR service to the ecosystem, including product operations, continuous delivery, technology and security services, vendor management and product management.

All three parts are required to make the system available for use, and to ensure smooth operations.



How real-time payments will be of value to businesses, consumers and governments

Real-time payments will be of value to businesses, consumers and governments by improving cash flow predictability and by providing better control of finances. The inclusion of a wide range of data in the payment creates an opportunity for operational improvement by streamlining processes. There are many other benefits to real-time payments⁵⁰, such as fostering payment innovation, enabling real-time settlement and supporting small businesses.

Real-time payments can be used in every market segment. The table provides examples of use cases for each market segment.

Serving as a platform for payment innovation, the RTR introduces the potential to unlock many other use cases that may not exist today. The possibilities are endless.

MARKET SEGMENT	DESCRIPTION	USE CASE
B2B – Business to Business	Receiving money owed from other businesses or paying money owed to other businesses	<ul style="list-style-type: none">▶ Supplier payments▶ Customer payments
B2C – Business to Consumer	Paying money owed to individual consumers	<ul style="list-style-type: none">▶ One-time payments (e.g., legal settlements)▶ Temporary employee wages (e.g., “gig” economy workers)▶ Insurance claim payments
C2B – Consumer to Business	Receiving money owed from individual consumers	<ul style="list-style-type: none">▶ Payments for services offered by sole proprietors or freelancers (e.g., contractors)▶ e-commerce payments (online & in-app purchases)▶ Ad-hoc large value payments (e.g., real estate deposit)▶ Transit payments▶ Bill payments
P2P – Peer to Peer	Repayment to friends, family, coworkers; classifieds payment	<ul style="list-style-type: none">▶ Payments to family/friends▶ Payments for informal services (e.g., babysitting)▶ Payments for purchases made through online auction/classified advertising (e.g., eBay, Kijiji purchases)
C2G/B2G – Consumer / Business to Government	Receiving money owed to government entities from individuals and businesses	<ul style="list-style-type: none">▶ Tax payments▶ Recreational licence payments
G2C/G2B – Government to Consumer / Business	Paying money owed to individual consumers and businesses from government	<ul style="list-style-type: none">▶ Emergency relief payments (e.g., humanitarian agencies)▶ Tax refunds▶ Employment insurance▶ Social program payments

⁵⁰ For more information on how real-time payments can benefit Canadians, please visit: <https://payments.ca/systems-services/payment-systems/real-time-rail-payment-system>

FINDINGS

The sections below build on several different data streams to provide a comprehensive view of consumer and business payment behaviour conducted via paper, cards, and electronic payment methods.

Five-year Canadian payment transaction trends

Canadians made 20.5 billion payment transactions, totalling \$11.7 trillion in the Canadian payment market in 2022. While total payment volume declined by two per cent compared to five years ago, total payment value increased by 21 per cent during this same period of time (see [Table 4](#)).

Cash and cheque transaction volumes decreased by 59 per cent and 45 per cent respectively from 2017. Canadians were using debit and credit cards more often instead, which respectively accounted for 31 per cent and 33 per cent of total payment volume in 2022. Within the card space, credit and prepaid cards lead the way in terms of past five-year volume growth at 23 per cent and 19 per cent respectively.

Together, EFT and cheques accounted for 87 per cent of total payment value in 2022.

But, while EFT value grew significantly, cheque value continued its decline over the past five years. The decline in cheque volume was even steeper over the past five years, with 45 per cent fewer cheque payments being made between 2017 and 2022 by Canadians. Historically, personal cheque volume has been declining more rapidly than commercial cheque volume. This trend reflects the ongoing migration from cheques to digital payments such as EFT and online transfers by individuals and businesses for traditional cheque use cases like P2P and bill payments because of their perceived convenience, speed, security and low cost.

Overall, online transfers represent a small proportion of total payment volume at five per cent. However, online transfer transaction volume and value experienced the highest growth of any payment method over the past five years (328 per cent and 314 per cent respectively) and is expected to continue growing, propelled by *Interac* e-Transfer usage.

TABLE 4: FIVE YEAR CANADIAN PAYMENT TRANSACTION TRENDS

Payment method	Total volume 2017		Total volume 2022		Change from 2017 %
	In millions	% of total volume	In millions	% of total volume	
Cheque	734	4%	405	2%	-45%
Debit	5,794	28%	6,315	31%	+9%
ABM	532	3%	388	2%	-27%
Prepaid	278	1%	330	2%	+19%
EFT	2,742	13%	3,101	15%	+13%
Credit	5,499	26%	6,787	33%	+23%
Online Transfer	261	1%	1,118	5%	+328%
Cash	5,048	24%	2,077	10%	-59%
Total	20,887	100%	20,520	100%	-2%

Payment method	Total value 2017		Total value 2022		Change from 2017 %
	\$ millions	% of total value	\$ millions	% of total value	
Cheque	4,030,697	42%	3,212,624	28%	-20%
Debit	246,499	3%	295,013	3%	+20%
ABM	70,001	1%	85,044	1%	+21%
Prepaid	16,495	0.2%	21,510	0.2%	+30%
EFT	4,583,973	47%	6,931,749	59%	+51%
Credit	517,536	5%	673,816	6%	+30%
Online Transfer	93,513	1%	387,255	3%	+314%
Cash	101,811	1%	60,122	0.5%	-41%
Total	9,660,526	100%	11,667,133	100%	+21%



Year-over-year Canadian payment transaction trends

The following analysis compares the 2022 data to 2021 data (see Table 5). This perspective allows us to identify if trends observed in previous years are continuing, and to spot the emergence of potential trends.

Transaction volumes and values across all payment types, with the exception of cheques, experienced year-over-year gains in 2022. The lifting of public health measures, such as the removal of the mask mandate in tandem with the continued reopening of the economy, encouraged consumer spending despite rising inflation and the growing concerns among Canadians about a recession.

Both credit and debit card volumes and values experienced similar year-over-year growth in 2022 compared to that of 2021. Credit and debit cards continued to be the top two payment methods of choice for in-store and online purchases among Canadians. Prepaid card volume and value rebounded in 2022 with strong single digit year-over-year growth. Prepaid card volume increased by five per cent year-over-year compared to a three per cent decline year-over-year in 2021. Similarly, prepaid card value increased by nine per cent year-over-year compared to a one per cent year-over-year decline in 2021. This reversal was attributed to volume and value growth in both open- and closed-loop prepaid card transactions in 2022. Cash volume and value rebounded in 2022 with modest single digit year-over-year growth.

For the first time in three years, cheque usage did not see a year-over-year decline in volume. In the 2021 and 2022 editions of the Canadian Payment Methods and Trends report, it was revealed that the rate of decline in cheque usage had been slowing between 2019 and 2021. Specifically, the year-over-year decline in cheque volume was 26 per cent in 2020 and six per cent in 2021. The year-over-year change in cheque volume for 2022 was 0.2 per cent which indicates that the rate of decline in cheque usage continued to flatten. This trend indicates that overall cheque usage is on the decline, but the level of decline is normalizing back to the expected prepandemic level.

If cheque volume is split out by commercial versus personal cheque usage, the narratives were different for each. Commercial cheque volume decreased by five per cent from 2021 indicating that businesses continued moving away from cheques to electronic payments. Personal cheque volume increased by 10 per cent from 2021 indicating that some Canadians returned to using cheques for the same payment use cases as before the pandemic (e.g., rent, home services, gifts).

In 2021, online transfer value exceeded that of debit cards⁵¹ for the first time ever (\$325 billion versus \$273 billion). In 2022, online transfer value continued to pull away from debit card value. Online transfer value increased year-over-year by 19 per cent to \$387 billion, while debit card value increased by eight per cent to \$295 billion during the same period. Online transfer volume saw a notable dip in year-over-year growth in 2022 compared to 2021 (11 per cent versus 26 per cent respectively). This result was partly

⁵¹ Debit cards value includes *Interac* debit (PIN, contactless and mobile) and *Interac* online transactions.

due to a return to cheque and cash use for point-of-sale and peer-to-peer (P2P) payments among some Canadians amid lessening concerns over the safety of handling paper payments due to COVID-19 transmission risk. The fact that *Interac* e-Transfers impose a daily limit of \$3,000 and weekly limit of \$10,000 may be another reason why some Canadians chose to use cheques instead of online transfers for P2P payments.

EFT transaction volume increased by only one per cent to 3.1 billion transactions in 2022 as compared with a volume increase of six per cent in 2021. EFT transaction value increased by 11 per cent to \$6.9 trillion in 2022 as compared with a value increase of 21 per cent in 2021. The dip in year-over-year

EFT volume and value growth in 2022 was due to a net reduction in the volume and value of government direct deposit payments. The reduction in government payments was due to the trimming back of federal COVID-19 emergency benefits.⁵²

Automated banking machine (ABM) transaction value grew by 54 per cent year-over-year due to a large increase in the average transaction size compared to 2021 (\$219 vs. \$141). The increase in ABM transaction value was due to some Canadians withdrawing more cash each time including higher denomination notes (\$20 and \$50), partly driven by Canadians’ precautionary motives as reported in the **2022 Canadian Payment Methods and Trends report**.⁵³

TABLE 5: ONE YEAR CANADIAN PAYMENTS TRANSACTION TRENDS

Payment method	Total volume 2021		Total volume 2022		Change from 2021 %
	In millions	% of total volume	In millions	% of total volume	
Cheque	404	2%	405	2%	+0.2%
Debit	5,964	30%	6,315	31%	+6%
ABM	394	2%	388	2%	-1%
Prepaid	313	2%	330	2%	+5%
EFT	3,081	16%	3,101	15%	+1%
Credit	6,469	33%	6,787	33%	+5%
Online Transfer	1,007	5%	1,118	5%	+11%
Cash	2,038	10%	2,077	10%	+2%
Total	19,669	100%	20,520	100%	+4%

Payment method	Total value 2021		Total value 2022		Change from 2021 %
	\$ millions	% of total value	\$ millions	% of total value	
Cheque	3,281,753	30%	3,212,624	28%	-2%
Debit	272,819	3%	295,013	3%	+8%
ABM	55,152	1%	85,044	1%	+54%
Prepaid	19,670	0.2%	21,510	0.2%	+9%
EFT	6,225,588	57%	6,931,749	59%	+11%
Credit	632,753	6%	673,816	6%	+6%
Online Transfer	324,790	3%	387,255	3%	+19%
Cash	58,415	1%	60,122	0.5%	+3%
Total	10,870,940	100%	11,667,133	100%	+7%

52 For more, see: <https://www.canada.ca/en/services/benefits/ei/ceib-application/transition.html>
53 For more, see: https://payments.ca/sites/default/files/PaymentsCanada_Canadian_Payment_Methods_and_Trends_Report_2022_En_0.pdf (page 8).

THE VALUE OF ISO 20022 AND DATA-RICH PAYMENTS

By Judy Li

What are data-rich payments?

The payment ecosystem is evolving rapidly. With the adoption of new technologies, one of the most significant developments in recent years is the use of data to drive payments. Unlike traditional payment transactions, data-rich payments will include additional information beyond the basic payment details, such as the amount and the recipient. The additional data can include information about the purpose of the payments, details about the product or service being purchased, or any other relevant information about payor or payee. This additional data can be used to help automate and streamline payment processing, improve fraud detection and prevention, and provide valuable insights into business operations.

What is ISO 20022? What are some of the key characteristics of ISO 20022? Why is Canada adopting this financial messaging standard?

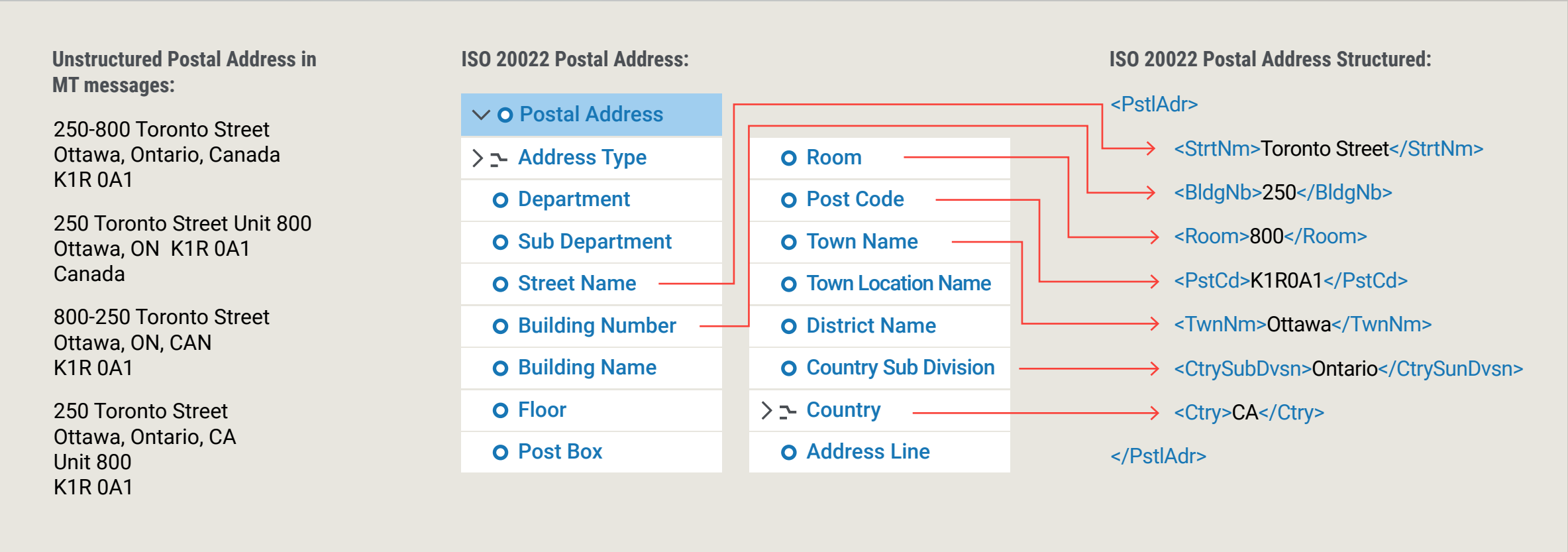
ISO (International Organization for Standardization) 20022 is an open global standard for financial messaging. It has a flexible framework that provides internationally agreed business message syntax, semantics and business processes. Message developers and user communities worldwide use the same structure, form, and meaning to relay financial transaction information.

Payments Canada, among many of our peers worldwide, is introducing ISO 20022 to our new modernized payment systems due to these key advantages:

- ▶ **Rich and standardized data:** ISO 20022 enables the exchange of structured data in a standardized fashion through its rich-data model. Here is an example, this shows the difference between a traditional MT message and an ISO 20022 message:

- ▶ **Adaptable and future-proof:** The messages used in the ISO 20022 portfolio are kept up to date with an annual maintenance cycle to evolve with the payment landscape. Updates are contributed by payment experts from all over the world.
- ▶ **Independent and international:** ISO 20022 is governed by ISO, independent of any country or organization. Its international scope helps the payment ecosystem move towards seamless and frictionless cross-border payments.

We believe ISO 20022 is an integral part of a modern payment ecosystem. It can bring significant benefits to Canada’s financial system, including increased efficiency, improved interoperability and better regulatory compliance.





How would it be of value and benefit to Canadian consumers and businesses compared to what we have today?

There will be many benefits that Canadian consumers and businesses can receive from the ecosystem's adoption of ISO 20022. For example, with more detailed and accurate payment information, consumers can expect faster and more efficient payments; they can also look forward to better payment tracking and transparency in the process. Canadian businesses will see improved straight-through processing with the additional and standardized data now available, as well as more effective payment reconciliation and enhanced fraud protection. As a global standard, ISO 20022 also helps facilitate cross-border payments so it makes communication with counterparts in different countries and regions easier.

In short, ISO 20022 brings rich data in both quantity and quality, which means fewer errors, less manual intervention, fewer delays and ultimately a more efficient, cost-effective and higher quality payment system and experience for everyone.

Is ISO 20022 being used in other parts of the world?

ISO 20022 is being adopted worldwide as we speak. Payments Canada recently introduced ISO 20022 to Lynx, Canada's high-value payment system, at the same time as the global payment community. ISO 20022 is being used in different payment systems in Europe, United States, Australia, Singapore and Japan, and many other countries are either in the process of adopting it or considering adopting it for their payment systems.

What are the lessons learned so far in those countries operating under ISO 20022?

There are many lessons learned from places that are in the process of adopting, or that have adopted, the standard. First, ISO 20022 needs wide ecosystem adoption to truly unleash its potential. This means regulators, financial institutions and fintechs all need to work together. Adoption is also an ongoing process. Countries that have successfully adopted the standard have typically taken phased approaches, and continued to refine and improve the implementation over time, in response to an ever changing environment and requirements.

Payments Canada has been keenly observing our peers around the world, taking notes on what has been working, and incorporating the lessons learned in our planning and implementation.

What are the latest developments concerning the launch of ISO 20022 in Canada and the next steps?

As more financial institutions begin to send and receive data-rich payments, Lynx participants will be able to leverage richer payment data to offer new products and services to their customers. In 2023, we will continue to support our member financial institutions in their journey toward ISO 20022 adoption and implementation. This includes building awareness of the benefits of data-rich payments and supporting awareness and adoption of the standard.

Introducing and supporting our members with the adoption of ISO 20022 is crucial to making payments easier, smarter and safer for all Canadians.

B2B — Automatic reconciliation example

Scenario: Buyer purchases items from a supplier and pays for the goods purchased. Payment and reconciliation are completely automated with the rich-data model provided by ISO 20022.

- ▶ **Purchase:** The buyer sends a purchase order to the supplier, including details on items being purchased, quantity and price.
- ▶ **Invoice generation:** The supplier generates an invoice that has all the necessary data arranged in structured format such as invoice number, amount, currency and due date.
- ▶ **Invoice transmission:** The buyer receives the invoice and the invoice data is automatically imported into the buyer's ISO 20022 compliant accounting system.
- ▶ **Invoice receipt:** The buyer's accounting system confirms the match between the purchase order and invoice.
- ▶ **Payment initiation:** The buyer initiates payment to the supplier through their bank or payment service provider by using an ISO 20022 payment message
- ▶ **Payment receipt:** The supplier's bank or payment service provider receives the payment message and processes it. Based on the information provided in the message, the supplier's account is credited with the amount indicated in the payment message.
- ▶ **Reconciliation:** The supplier receives the payment, and the payment data is automatically imported into their ISO 20022 compliant accounting system. The system reconciles the payment against the corresponding invoice. The invoice is then marked as paid.

By using ISO 20022 messaging standards, invoice reconciliation can be streamlined and automated, reducing errors and processing time. The use of structured data and common messaging formats allows for easy integration between different systems, reducing the need for manual intervention and improves efficiency.



FINDINGS

(CONTINUED)

2022 HIGHLIGHTS

- ▶ The use of cash for payments increased two per cent in volume from 2021, to represent 10 per cent of total payment volume (compared to 24 per cent in 2017).
- ▶ Cash payments increased three per cent in value from 2021, to represent 0.5 per cent of total payment value (compared to one per cent in 2017).
- ▶ Cash remained the fourth most used method of payment by volume, behind credit and debit cards and EFT.
- ▶ The average cash transaction value increased by one per cent to \$29 from a year ago.

Cash

Canadians used cash to make a total of two billion transactions worth \$60.1 billion in 2022. Overall, cash accounted for 10 per cent and 0.5 per cent of total payment transaction volume and value respectively. Cash continued to be mainly used for low-value transactions with the average cash transaction value at \$29.

In 2022, cash payments experienced a reset linked to the pandemic recovery. While there was a reduction in cash payments early in the pandemic, cash use has recovered to prepandemic levels.⁵⁴ Many Canadians felt more comfortable handling and using cash due to decreasing concerns of catching the COVID-19 virus by touching paper currency and coins. As a result, cash transaction volume and value increased by two per cent and three per cent respectively from 2021. Even still, cash lost ground to electronic payments such as debit and credit cards and online transfers for low value transactions compared to a year ago based on transaction volume and value.

Based on cash usage data from the Bank of Canada, the profiles of Canadians who prefer to pay by cash include older individuals, those with less formal

education, or lower incomes.⁵⁵ Individuals in each of these demographic groups use cash to pay for at least a quarter of their purchases in total.⁵⁶

Over the last year, the vast majority of Canadians (82 per cent) used cash three times or less in a given week.⁵⁷ Among those using cash three times or less in the previous week, 43 per cent cited “less convenient than other payment methods” as the reason why they haven’t used cash more often. Twenty-nine per cent of Canadians used cash less often because they didn’t receive loyalty rewards for using this payment method. Another 22 per cent weren’t using cash more often because they were generally not interested in using this payment method.⁵⁸

Although cash use has declined over the past five years, cash will still be used as a store of value and means of payment for some time. Close to half of all consumers (49 per cent) and businesses (46 per cent) in Canada believe that retail outlets will be completely cashless in the next ten years. Yet, at the same time, two out of five consumers and businesses (45 per cent and 41 per cent respectively) feel uncomfortable if they could not use cash for making store purchases.⁵⁹

⁵⁴ For more, see: <https://www.bankofcanada.ca/2022/08/staff-discussion-paper-2022-17/>

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

⁵⁸ Ibid.

⁵⁹ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

According to data from the Bank of Canada, only 14 per cent of Canadians stated that they are already cashless while 80 per cent indicated they have no plans to go cashless.⁶⁰

Many Canadians depend heavily on cash, particularly the elderly, the unbanked and those who use cash for small payments. Cash is still the preferred payment of choice when there is a crisis, such as a financial shock or technology outage. The nationwide Rogers network outage in 2022 impacted over 10 million people and prevented them from carrying out digital payments. Cash became the only option available for carrying out payment transactions.⁶¹ Cash use continues to be preferred by those who engage in the underground economy, due to its anonymity and universal acceptance.⁶² Many Canadians continue to hold large-denomination (non-transactional) notes as a precautionary measure.⁶³ For more, see **Table 6: Top five drivers of cash use**.

In 2022, almost a quarter (24 per cent) of Canadians received at least some of their monthly employment income in cash, with three per cent of Canadians receiving the majority of their income in cash (i.e., more than 50 per cent of their monthly income is paid in cash).⁶⁴ Cash continued to be a desirable way for gig workers to be paid.

Of the consumers who use cash for store purchases, their top reasons for doing so include having cash on hand that they wanted to spend (39 per cent); the transaction being a low amount – under \$15 (33 per cent); the ease and convenience of using cash for that transaction (28 per cent); and that cash payments are fast (22 per cent).⁶⁵

In 2022, 26 per cent of Canadians used cash for making a peer-to-peer (P2P) payment within the last seven days (down from 29 per cent in 2021).⁶⁶ The average number of times Canadians used cash to make a P2P payment to other people was 3.4 times per week, compared to 3.6 times per week for store purchases.⁶⁷ These results were unchanged from 2021.

Canadians chose cash for making P2P payments to other people mainly for the following reasons: it was easier and more convenient for them to use cash (33 per cent); the person they were giving money to preferred, or only wanted, cash (28 per cent) and they had cash on hand that they wanted to spend (26 per cent).⁶⁸

⁶⁰ For more, see: <https://www.bankofcanada.ca/2022/08/staff-discussion-paper-2022-17/>

⁶¹ For more, see: <https://www.cbc.ca/news/business/rogers-outage-no-plan-b-1.6515664>

⁶² According to Statistics Canada, the estimated gross domestic product at market prices for underground economy activity in Canada reached \$68.5 billion, or 2.7% of total GDP, in 2021. It is assumed that cash is one of the main contributors to the underground economy. In 2021 four industries accounted for more than half of all UE activity: i) residential construction; ii) finance, insurance, real estate, rental, leasing, and holding companies; iii) retail trade; and iv) accommodation and food services. For more, see: <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/corporate-reports-information/underground-economy-strategy-2022.html>.

⁶³ For more, see: <https://www.bankofcanada.ca/2022/08/staff-discussion-paper-2022-17/>

⁶⁴ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ Ibid.

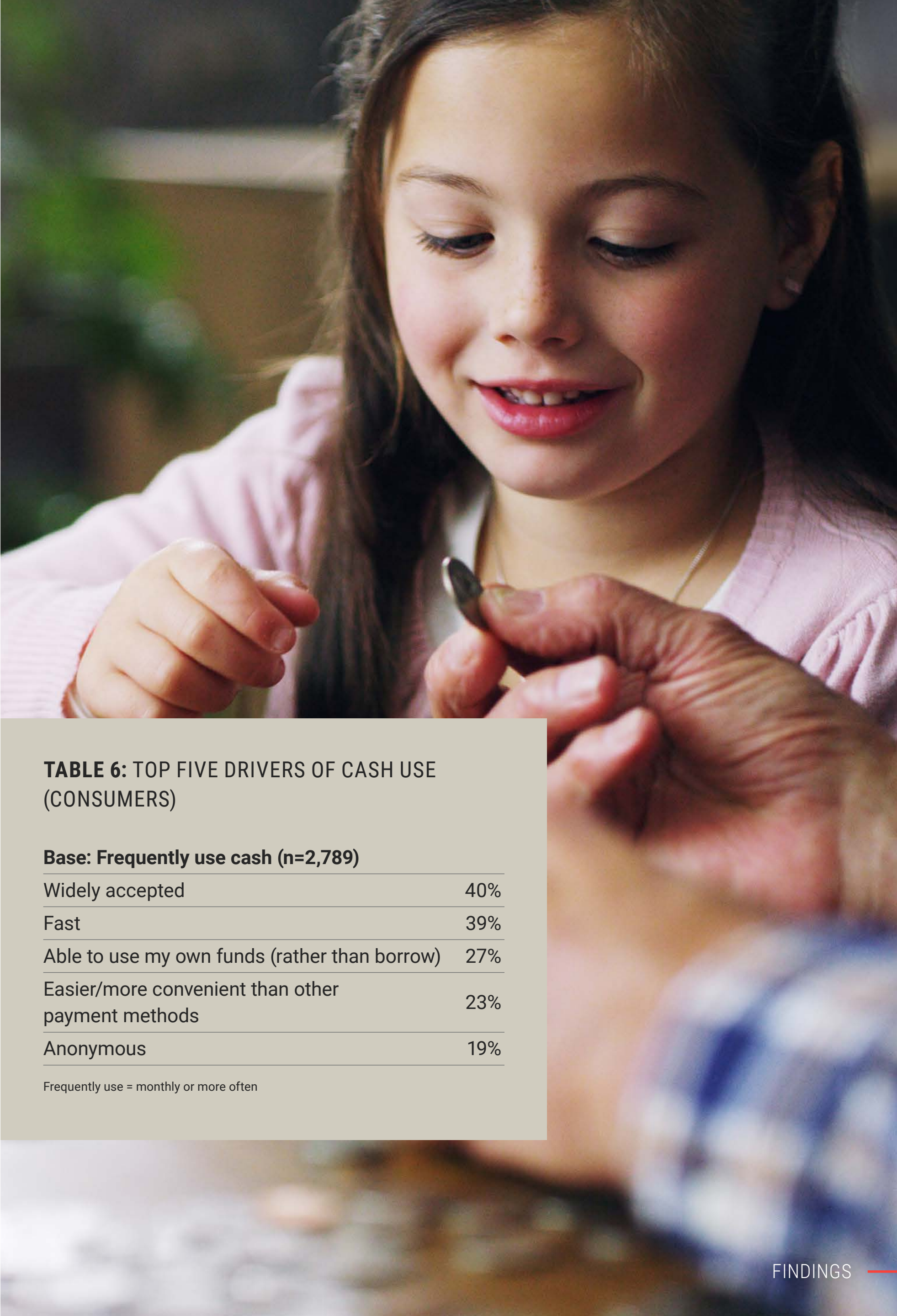


TABLE 6: TOP FIVE DRIVERS OF CASH USE (CONSUMERS)

Base: Frequently use cash (n=2,789)	
Widely accepted	40%
Fast	39%
Able to use my own funds (rather than borrow)	27%
Easier/more convenient than other payment methods	23%
Anonymous	19%

Frequently use = monthly or more often

2022 HIGHLIGHTS

- ▶ For the first time in eight years, cheque transaction volume did not decline.
- ▶ Cheque use increased 0.2 per cent in volume from 2021, to represent two per cent of total payment volume (compared to four per cent in 2017).
- ▶ Cheque use declined by two per cent in value from 2021, to represent 28 per cent of total payment value (compared to 42 per cent in 2017).
- ▶ While commercial cheque volume and value decreased by five per cent and two per cent respectively from 2021, personal cheque volume and value increased by 10 per cent and 13 per cent respectively during the same period.
- ▶ The average cheque transaction value increased by nine per cent to \$8,880 compared to \$8,123 in 2021.

Cheque and paper

A total of 405 million cheque transactions, valued at \$3.2 trillion, were made by Canadians and Canadian businesses in 2022. Overall, cheque volume decreased by 45 per cent since 2017, losing volume to card and electronic payment methods such as credit cards, online transfers and EFT.

For the first time in eight years, cheque usage did not see a year-over-year decline in volume. The rate of decline in cheque usage had been slowing between 2019 and 2021. Specifically, the year-over-year decline in cheque volume was 26 per cent in 2020 and six per cent in 2021. The year-over-year change in cheque volume for 2022 was 0.2 per cent. Cheque value decreased by two per cent in 2022 compared to 2021.

In 2022, cheque volume represented two per cent of total payment volume, while cheque value represented 28 per cent of total payment value. The reason cheque volume is low but its value is high is because cheques are mainly used by businesses.

Commercial cheque volume and value decreased by five and two per cent respectively from 2021. The year-over-year decrease in commercial cheque usage was caused by several factors. In October 2021, the Bank of Canada announced that it would end its quantitative easing strategy.⁶⁹ Then, in April 2022, it announced that it would pursue a quantitative tightening strategy via its monetary policy which had the effect of increasing

interest rates, thereby discouraging more lending and investment within the economy. This action was taken to combat the economic impacts of rising inflation.⁷⁰ As a result, businesses made fewer cheque payments because they were investing less in their business operations (e.g., either froze or reduced their labour and capital investments).

In addition, the overall business outlook declined in 2022. Business sales expectations and investment plans were dampened by rising interest rates. The weaker business outlook was also attributed to higher inflation eroding consumers' purchasing power and pointing to the possibility of a recession. As a result, more businesses expected their sales to decline.⁷¹ The weaker business outlook triggered reduced spending and investment by businesses which led to a decrease in cheque payment volume and value.

In 2022, personal cheque volume and value increased by 10 per cent and 13 per cent respectively from 2021. Although personal cheque use was fairly low with 42 per cent of Canadians stating they rarely used cheques (i.e., less than once a month) and 39 per cent never used cheques, some Canadians returned to using cheques for the same payment use cases as before the pandemic (e.g., rent, home services, gifts).⁷²

⁶⁹ For more, see: <https://www.bankofcanada.ca/2021/10/balance-sheet-operations-for-the-reinvestment-of-proceeds-of-maturing-government-of-canada-bonds/>

⁷⁰ For more, see: <https://www.bankofcanada.ca/2022/04/bank-of-canada-provides-operational-details-for-quantitative-tightening-and-announces-that-it-will-continue-to-implement-monetary-policy-using-a-floor-system/>

⁷¹ For more, see: <https://www.bankofcanada.ca/2023/01/business-outlook-survey-fourth-quarter-of-2022/>

⁷² Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

Those who regularly used cheques were more likely to be male, between the age of 18 and 34 and participated in the gig economy. They used cheques mainly because they made it easier to keep track of expenses, they were able to use their own funds rather than borrow and cheques were perceived to be easier and more convenient than other payment methods.⁷³ For more, see **Table 7: Top five drivers of cheque use**.

Although personal cheque use is in decline over the long term, there are still strong use cases for cheques in certain situations. Rent/mortgage payment was the leading reason for cheque usage followed by donations (25 per cent and 17 per cent respectively).⁷⁴ Payments for special events, such as weddings or birthday parties, significantly increased in 2022 from the previous year, likely because Canadians perceived the worst of the pandemic to be over.⁷⁵ In addition, payment of taxes using cheques significantly increased year-over-year due to the reopening of the economy and the resumption of in-person transactions at government agencies.⁷⁶ For more, see **Figure 5: Reasons for cheque use in the past twelve months**.

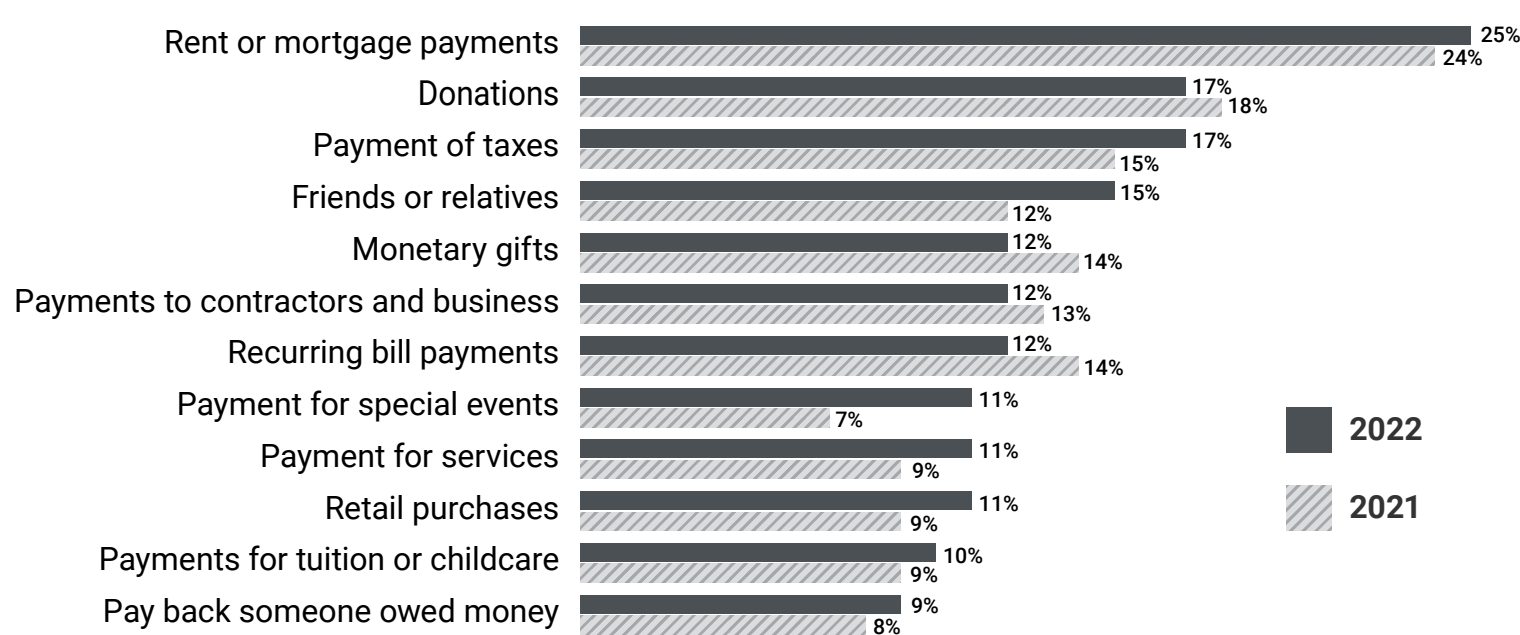
⁷³ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.
⁷⁴ TSI. 2022 Canadian Payments Forecast.
⁷⁵ Ibid.
⁷⁶ Ibid.

TABLE 7: TOP FIVE DRIVERS OF CHEQUE USE (CONSUMERS)

Base: Frequently use cheque (n=861)	
Easier to control/keep track of expenses	25%
Able to use my own funds rather than borrow	22%
Easier/more convenient than other payment methods	20%
More secure than other payment methods/Less risk of theft/misuse	18%
Widely accepted/Most stores where I shop accept only this payment method	15%

Frequently use = monthly or more often

FIGURE 5: REASONS FOR CHEQUE USE IN THE PAST TWELVE MONTHS (CONSUMERS)





2022 HIGHLIGHTS

- ▶ Debit card payment transaction volume and value experienced steady growth in 2022 reaching 6.3 billion transactions worth \$295 billion.
- ▶ Debit card use increased six per cent in volume from 2021, to represent 31 per cent of total payment volume (compared to 28 per cent in 2017).
- ▶ Debit card use increased eight per cent in value from 2021, to represent three per cent of total payment value (compared to two per cent in 2017).
- ▶ The average debit card transaction value was \$47, slightly higher than a year ago (\$46).
- ▶ Debit cards⁷⁷ remained the second most used payment method for purchases behind credit cards by volume.

⁷⁷ Debit cards include all debit card transactions; for example, contact and contactless (including card and mobile) payments and *Interac* Debit In-App payments.

Debit card

Debit cards continue to closely compete with credit cards for the most used payment method in Canada representing 31 per cent of total payment volume (compared to 33 per cent for credit cards). Debit cards also continued to lead credit cards for point-of-sale volume (6.3 billion vs. 6.1 billion) in 2022.

The year-over-year growth in debit card volume is linked to the declining use of cash, mainly for low value transactions. Although the impact of the pandemic is diminishing and Canadians have returned to using ATMs and are less concerned about handling cash, overall, cash was used less often for payments by Canadians in 2022 compared to five years ago.⁷⁸

Fifty per cent of Canadians made one or more debit card purchases in a given week, with younger Canadians aged 18-24 using debit cards slightly more than other age groups (52 per cent).⁷⁹ Overall, Canadians preferred using debit cards for several reasons, such as being able to quickly make a payment, preferring to use their own funds and because it is widely accepted (see **Table 8: Top five drivers of debit card use** for more).⁸⁰

When making a purchase at a store location in a given month, 47 per cent of Canadians did so by paying contactlessly at a point-of-sale terminal.⁸¹ Overall, there was no change in the proportion of Canadians using contactless debit to complete an in-store purchase compared to

the previous year. *Interac* Flash⁸² (including card and mobile) transaction volume increased by 13 per cent to 4.3 billion transactions in 2022 from the previous year.⁸³

Sixty-one per cent of debit cards in circulation in Canada are co-badged cards that include both the *Interac* and either Visa or Mastercard logos.⁸⁴ This is down slightly from 63 per cent of cards being co-badged in 2021. These co-badged cards allow consumers to make regular *Interac* debit card purchases at the point-of-sale, and to pay with debit online where merchants accept Visa or Mastercard.

Debit card usage is expected to remain steady as the majority of regular debit card users⁸⁵ (78 per cent) do not expect to change the number of payments they make using their debit cards over the next twelve months. Thirteen per cent of regular debit card users expect their number of debit card payments to increase during this period.⁸⁶

TABLE 8: TOP FIVE DRIVERS OF DEBIT CARD USE (CONSUMERS)

Base: Frequently use debit cards (n=2,928)

Fast	45%
Widely accepted	44%
Able to use my own funds (rather than borrow)	41%
Easier/more convenient than other payment methods	35%
Easier to control/keep track of expenses	29%

Frequently use = monthly or more often

⁷⁸ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

⁷⁹ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey. The number of Canadians who made one or more debit card purchases in a given week includes zero mentions.

⁸⁰ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

⁸¹ Ibid.

⁸² *Interac* Flash is the contactless payment functionality of *Interac* Debit that allows cardholders to make in-store purchases by holding their debit card (including card or mobile) up to an *Interac* Flash-enabled POS terminal – no PIN required.

⁸³ Transaction numbers provided by *Interac*.

⁸⁴ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

⁸⁵ Regular debit card users are Canadians who use their debit cards once every couple of weeks or more often for payments.

⁸⁶ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

2022 HIGHLIGHTS

- ▶ Credit cards⁸⁷ continue to be the most frequently used payment method by Canadians as measured by transaction volume.
- ▶ Credit card payment transaction volume and value increased to 6.8 billion transactions worth \$674 billion in 2022.
- ▶ Credit card use increased five per cent in volume from 2021, to represent 33 per cent of total payment volume (compared to 26 per cent in 2017).
- ▶ Credit card use increased six per cent in value from 2021, to represent six per cent of total payment value (compared to five per cent in 2017).
- ▶ The average credit card transaction value was \$99, slightly higher than a year ago (\$98).

⁸⁷ Credit cards include all credit card transactions; for example, card on file, contact and contactless (including card and mobile) payments.

Credit card

Credit cards remained the most frequently used payment instrument and they also made up the bulk of card value overall. Credit card volume and value grew by five per cent and six per cent respectively from 2021, building on the gains made in the previous year. The number of credit cards in circulation increased by four per cent in 2022 to 100 million compared to 2021.⁸⁸ Eighty-three per cent of Canadians report using their credit cards frequently for payments (i.e., at least once a month), with a significantly higher percentage of 18 – 34 year-olds using them frequently (85 per cent), compared to those aged 55 or over (79 per cent).⁸⁹

With the easing of public health measures and the continued reopening of the economy, Canadians resumed spending on travel and out-of-home entertainment, which led to higher credit card usage. Furthermore, the rising inflation in everyday items such as food and gas led to increased credit card usage.⁹⁰

Canadians prefer credit cards mainly for their rewards, with 85 per cent reporting their primary credit card

having some kind of reward (an eight per cent increase from 2021). Fifty-eight per cent of credit card users listed “receiving discounts/loyalty rewards” as their main reason for frequently using credit cards for purchases (unchanged from last year).⁹¹ For more, see **Table 9: Top five drivers of credit card use.**

Of the total credit cards that offer rewards in circulation, cashback is the most frequent offer (45 per cent), followed by travel rewards (19 per cent) and retail/store rewards (17 per cent).⁹² Thirty per cent of Canadians reported that they still carried a balance on their cards past their billing cycle, which is slightly higher compared to 2021 (29 per cent).⁹³

Over half of all Canadians (52 per cent) used their credit cards to pay a bill or household expense in the past year (unchanged from 2021).⁹⁴ The type of bills or expenses most likely paid by a credit card include streaming services such as Netflix, Apple TV+ and Spotify (40 per cent); media/software subscriptions such as The Globe and Mail, The New York Times and LinkedIn Premium (39 per cent); and memberships such as fitness, gym, social club and meal kit service (38 per cent).⁹⁵ Other types of bills and household

⁸⁸ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

⁸⁹ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

⁹⁰ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

⁹¹ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

⁹² Ibid.

⁹³ Ibid.

⁹⁴ Ibid.

⁹⁵ Ibid.

expenses commonly paid by a credit card are home and auto insurance, internet service, cell phone, cable and home services such as daycare and contractors.⁹⁶

When it comes to in-store purchases, credit cards retained top ranking as the most used payment method in Canada at the point-of-sale, representing 50 per cent of total sales transactions (an increase of two per cent from 2021).⁹⁷ Credit cards remained the most used payment method for online purchases, with 63 per cent of online shoppers paying for goods or services by credit card in 2022 versus 65 per cent a year ago.⁹⁸

Credit card usage is well positioned to grow as Canadians continue to embrace mobile payments at the point-of-sale and mobile commerce.⁹⁹ In 2022, 57 per cent of mobile wallet users in Canada reported mostly using their credit card(s) linked to their mobile wallet for their purchases compared to 56 per cent in 2021.¹⁰⁰ During the pandemic, there was a spike in the number of consumers using mobile wallets to make in-app purchases and contactless payments at stores from food and grocery delivery services.¹⁰¹ According to Euromonitor, the increasing adoption of mobile payments in Canada will help grow credit card volume: “Together with the convenience factor, the rollout of 5G in Canada and increased investment in mobile platforms by retailers, foodservice players and other businesses, such incentives should ensure mobile commerce continues to boost credit card transactions.”¹⁰²

⁹⁶ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

⁹⁷ For more, see: <https://www.statista.com/statistics/1177097/preferred-payment-methods-canada/>

⁹⁸ TSI. 2023 Canadian Payments Forecast.

⁹⁹ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹⁰⁰ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹⁰¹ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ For more, see: <https://www.linkedin.com/pulse/canadian-merchant-surcharging-doomsday-credit-cards-bump-road/>

There were several noteworthy developments within the credit card space in 2022. Many credit card issuers launched marketing campaigns to acquire new customers, such as raising their reward points or offering a cash back welcome bonus. More card issuers also began to offer a buy now, pay later feature attached to their credit cards, allowing customers to pay for their purchases in installments at a low interest rate.¹⁰³

Retail merchants were able to charge customers a surcharge of up to 2.4 per cent on credit and debit card payments beginning in November 2022. Previously, retail merchants were absorbing the cost of the merchant fees charged by their banks to cover the interchange fees that their banks pay to the card-issuing bank any time a customer pays with a credit or debit card. At the time of writing this report, few retail merchants had implemented surcharging. Based on research data from RFi, 75 per cent of credit cardholders would at least reduce their credit card usage somewhat if confronted with a surcharge of up to 2.4 per cent.¹⁰⁴

It remains to be seen how large of an impact, if any, this development will have on credit card volume and value moving forward.

TABLE 9: TOP FIVE DRIVERS OF CREDIT CARD USE (CONSUMERS)

Base: Frequently use credit cards (n=3,740)	
Receive discounts/loyalty rewards	58%
Widely accepted	49%
Fast	42%
Easier/more convenient than other payment methods	37%
Easier to control/keep track of expenses	28%

Frequently use = monthly or more often

2022 HIGHLIGHTS

- ▶ Prepaid card volume increased by five per cent year-over-year to 330 million transactions. Prepaid card value increased by nine per cent year-over-year to \$21.5 billion.
- ▶ This result was attributed to volume and value growth in both open- and closed-loop prepaid card transactions in 2022.¹⁰⁵
- ▶ The five-year growth rate of prepaid cards is second only to credit cards within the card space. Since 2017, prepaid card volume and value have grown by 19 per cent and 30 per cent respectively.
- ▶ The average prepaid card transaction value increased by four per cent from 2021 to \$65.

¹⁰⁵ An open-loop prepaid card is either a physical or virtual prepaid card that can be used anywhere that the prepaid card brand is accepted. A closed-loop prepaid card is either a physical or virtual prepaid card that can only be used to make purchases from a single company. Closed-loop prepaid cards are also known as merchant-issued gift cards.

Prepaid card

In 2022, total prepaid card¹⁰⁶ volume and value increased by five per cent and nine per cent respectively. Total volume reached 330 million transactions worth \$21.5 billion.¹⁰⁷ The total number of prepaid cards in circulation also grew by 10 per cent to 83.9 million compared to last year. Since 2017, the number of prepaid cards in circulation has grown by 44 per cent.¹⁰⁸ This increase is being driven by much higher growth in the number of open-loop prepaid cards in circulation compared to that of closed-loop prepaid cards (54 per cent vs. 31 per cent respectively) during the last five years.¹⁰⁹ The key drivers of prepaid card usage among Canadians continued to be the ability to make payments fast and use their own funds, as well as the ease and convenience of use (see [Table 10: Top five drivers of prepaid card use for more](#)).¹¹⁰

Open-loop prepaid card transaction volume grew by six per cent year-over-year to 72 million transactions. It accounted for 22 per cent of total prepaid card volume in 2022, unchanged from the previous year.¹¹¹ Open-

loop prepaid card value increased by nine per cent year-over-year to \$6.2 billion which represented 29 per cent of total prepaid card value in 2022 (unchanged from 2021).¹¹² On average, Canadians loaded additional value into all their open-loop prepaid cards 0.7 times in a given month. The total average value of these monthly loads was \$65.¹¹³ The average number of payments Canadians made using all of their open-loop prepaid cards in the last seven days was 1.4 at an average value of \$90.¹¹⁴

It is expected that open-loop prepaid cards will experience more rapid growth in transactions than closed-loop prepaid cards because “the category’s penetration in Canada is still underdeveloped as compared to the neighbouring U.S. market.”¹¹⁵ Open-loop prepaid card networks such as Mastercard and Visa are focusing on new growth opportunities in areas such as banking services, payroll, social benefits and corporate incentives driven by Canadian businesses and government institutions increasingly moving away from cash and cheque payments.¹¹⁶ Additionally,

¹⁰⁶ This report captures both open- and closed-loop prepaid cards.

¹⁰⁷ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹¹¹ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹¹² Ibid.

¹¹³ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey. The average monthly number and value of loads includes zero mentions.

¹¹⁴ Ibid. The average number and value of open-loop prepaid card payments made in a given past seven days includes zero mentions.

¹¹⁵ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹¹⁶ Ibid.

the usage of prepaid card rails to drive new payment innovations, such as buy now, pay later initiatives, will help fuel growth of the open-loop prepaid card segment.¹¹⁷

Canadians increased their use of closed-loop prepaid cards in 2022. Twenty-nine per cent of Canadians indicated using any type of closed-loop prepaid card in a given month (up from 27 per cent in 2021).¹¹⁸ Closed-loop prepaid card transaction volume grew by five per cent year-over-year to 258 million transactions. It accounted for 78 per cent of total prepaid card volume in 2022, unchanged from the previous year.¹¹⁹ Closed-loop prepaid card value increased by nine per cent year-over-year to \$15.3 billion, which represented 71 per cent of total prepaid card value in 2022 (unchanged from 2021).¹²⁰ On average, Canadians loaded additional value into all their store gift cards a combined 0.8 times in a given month. The total average value of these monthly loads was \$26.¹²¹ The average number of payments Canadians made using all of their closed-loop prepaid cards in the last seven days was 1.2 at an average value of \$31.¹²²

The three most popular types of closed-loop prepaid cards used in a given month among Canadians in 2022 were Amazon gift cards (11 per cent), food services (e.g., Starbucks, Tim Hortons) (11 per cent), and public transit (e.g., OPUS, PRESTO, GO, U-pass, Compass cards) (eight per cent). Just under one in four Canadians (23 per cent) indicated that they have ever used a transit card to pay fares for public transit (e.g., buses, rail or subway trains). Among those who have ever used a transit card, the two most frequently used methods for adding money to their transit cards were manually doing it each time when it is required (50 per cent) and using an autoload feature which instantly adds money to their transit card whenever their card balance falls below a certain amount (25 per cent).

¹¹⁷ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹¹⁸ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

¹¹⁹ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹²⁰ Ibid.

¹²¹ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey. The average monthly number and value of loads includes zero mentions.

¹²² Ibid. The average number and value of closed-loop prepaid card payments made in a given past seven days includes zero mentions.

Strong demand for merchant-based cards among consumers and businesses (for buying gifts for friends/family and rewarding employees) will continue to help grow the closed-loop prepaid card segment. As Canadians return to the office, the use of transit cards and parking and toll cards is also expected to grow.¹²³

Looking ahead, prepaid cards are expected to experience the highest growth in both volume and value over the next few years compared to all other payment cards. Prepaid card usage increased among Canadian youths (14 – 18 years) as parents leveraged open loop cards to provide an allowance and to track spending.¹²⁴ Prepaid cards became popular among international students due to the launch of the SideKick app that enables them to spend money received from their family in different countries and currencies.¹²⁵

Innovation is rapidly transforming the prepaid card space with the launch of various payment solutions such as remittance cards, gift cards and cryptocurrency payments.¹²⁶ Prepaid cards continued to be used for payroll functions. More businesses paid their employees’ salaries by depositing money into an employee’s prepaid card account. It also meant that employees did not need a bank account in order to be paid.¹²⁷ Fintech companies will continue to be a driver of innovation within the prepaid card space. They are also introducing prepaid cards targeted at younger Canadians to better manage their spending as an alternative to traditional credit and debit cards.¹²⁸

¹²³ Euromonitor International, Passport Financial Cards and Payments in Canada (2022).

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ Ibid.

¹²⁷ Ibid.

¹²⁸ Ibid.

TABLE 10: TOP FIVE DRIVERS OF PREPAID CARD USE (CONSUMERS)

Base: Frequently use prepaid cards (n=513)

Fast	23%
Able to use my own funds (rather than borrow)	23%
Easier/more convenient than other payment methods	21%
Receive discounts/loyalty rewards	20%
Widely accepted	19%

Frequently use = monthly or more often



2022 HIGHLIGHTS

- ▶ Contactless payment transaction volume increased by 11 per cent from last year to make up 37 per cent of total payment volume in 2022.
- ▶ Contactless payment transaction value increased by 18 per cent from last year to make up three per cent of total payment value.
- ▶ Debit contactless transactions made up 58 per cent of total contactless volume and 31 per cent of total contactless value.
- ▶ Credit contactless transactions made up 42 per cent of total contactless volume and 69 per cent of total contactless value.
- ▶ The average debit contactless transaction value was \$27 while the average credit contactless transaction spend was \$83.

Contactless payments

There were a total of 7.5 billion contactless payment¹²⁹ transactions worth \$379.7 billion in 2022. Contactless volume and value increased by 11 per cent and 18 per cent year-over-year, respectively (see [Figure 6: Contactless payment growth 2017 – 2022, volume and value](#)). The average contactless transaction value was \$50, up slightly from \$48 last year due to a 10 per cent increase in the average debit contactless transaction value.

Contactless payments continued to be used frequently by Canadians. Almost nine in ten Canadians (89 per cent) tapped any card (i.e., credit, debit or prepaid) at least once in a given month when making a store purchase in 2022.¹³⁰ Of those who did not use contactless payments when paying for a store purchase in a given month, 36 per cent preferred inserting their card and entering the PIN.¹³¹ Another 24 per cent of them did not trust contactless payments due to security concerns.¹³²

The impact of the pandemic on Canadians' attitudes towards contactless payment usage has softened over

time. For instance, 38 per cent of Canadians agreed that the COVID-19 pandemic has changed their payment preferences to digital and contactless for the long-term in 2022 compared to 43 per cent in 2021.¹³³ Sixteen per cent of Canadians said they tend to avoid shopping at places that don't accept contactless payments in 2022 compared to 42 per cent around the start of the pandemic in April 2020.¹³⁴ Thirty-four per cent of Canadians said they were doing their best not to go above the maximum amount allowed for contactless payments when they buy something at a store in 2022 compared to 52 per cent around the start of the pandemic in April 2020.¹³⁵

Grocery stores and supermarkets continued to lead all other purchase categories for contactless payment usage at the point-of-sale in 2022. More than seven out of ten contactless card users (71 per cent) used their cards and made a contactless payment purchase for goods at grocery stores or supermarkets.¹³⁶ Pharmacies/drug stores (49 per cent) and gas stations (47 per cent) were also popular point-of-sale locations

¹²⁹ Contactless transactions are defined as using a payment card or mobile device tap to initiate a payment through a point-of-sale reader (in physical merchant locations).

¹³⁰ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹³¹ Ibid.

¹³² Ibid.

¹³³ Ibid.

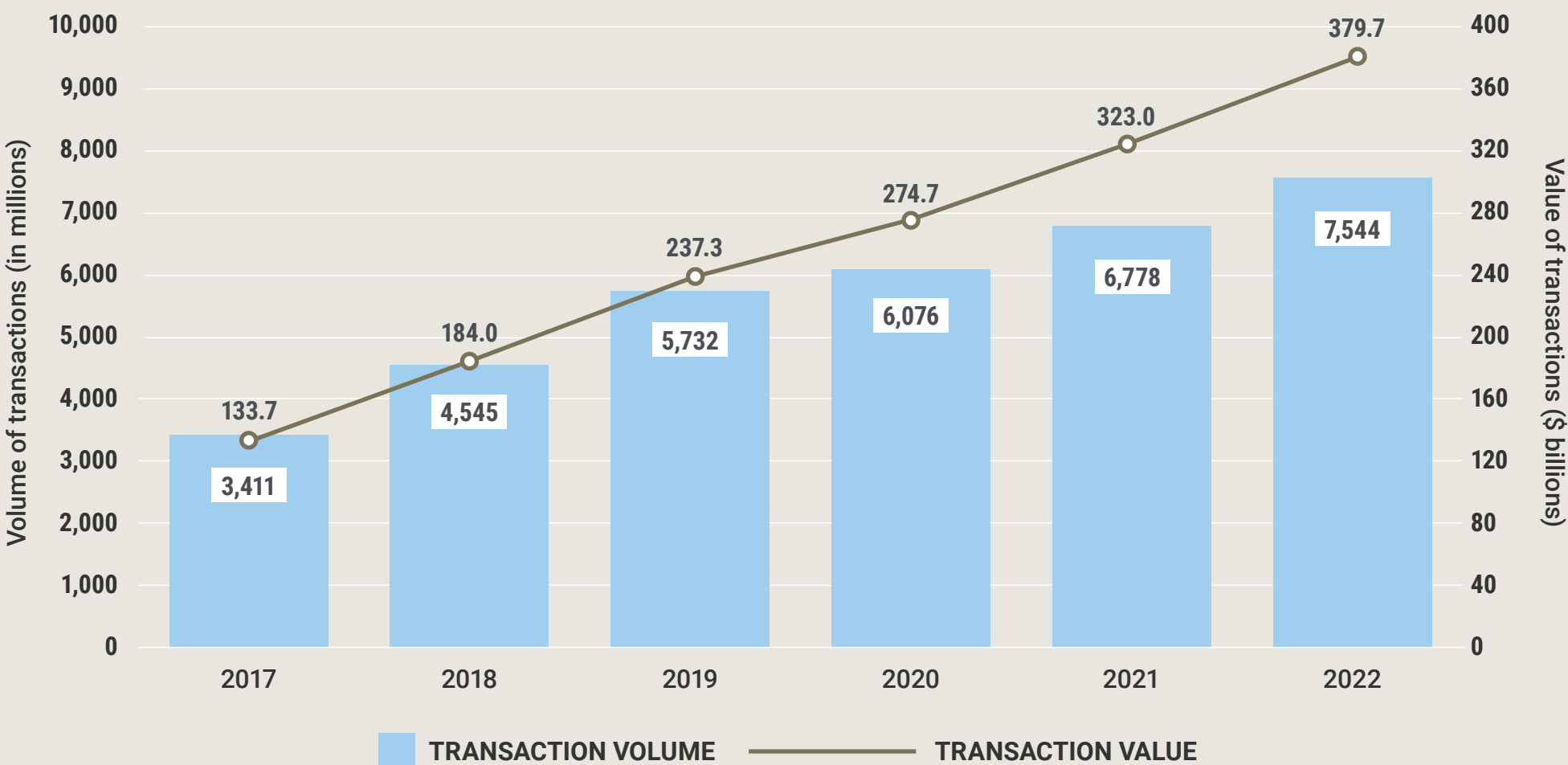
¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ TSI. 2023 Canadian Payments Forecast.



FIGURE 6: CONTACTLESS PAYMENT GROWTH 2017 – 2022, VOLUME AND VALUE



for contactless card payments.¹³⁷ Restaurants (42 per cent) and entertainment venues (16 per cent) both experienced a large increase in the number of contactless users making contactless payments in these categories in 2022 compared to a year ago, due in part to the reopening of the economy and resumption of many indoor activities.¹³⁸

Overall, a total of 4.3 billion contactless debit card transactions worth \$117.5 billion were made in 2022.¹³⁹ Contactless debit card transactions grew year-over-year by 14 per cent in volume and 25 per cent in value.¹⁴⁰ Debit card transactions accounted for 58 per cent of total contactless transaction volume and 31 per cent of total contactless transaction value in 2022. The average transaction value increased to \$27 from \$24 a year ago.¹⁴¹

Contactless credit card volume reached 3.2 billion transactions in 2022 with eight per cent growth year-over-year.¹⁴² The total value of contactless credit card transactions grew by 14 per cent to \$262.2 billion in 2022 compared to last year.¹⁴³ Credit card transactions accounted for 42 per cent of total contactless transaction volume and 69 per cent of total contactless transaction value in 2022. The average transaction value increased to \$83 from \$78 a year ago.¹⁴⁴

While the majority of Canadians (69 per cent) who own a smartphone made a mobile payment in the past six months with bill payments (39 per cent), online payments (33 per cent) and P2P payments (31 per cent) being the most frequent types, fewer have made an in-store payment by tapping their mobile wallet against a reader in 2022.¹⁴⁵ In-store mobile payments at a coffee shop in the past six months experienced a modest increase from 2021 to 2022 (28 per cent vs. 29 per cent respectively). Similarly, mobile payments made at a store other than a coffee shop in the past six months increased year-over-year from 21 per cent to 22 per cent.¹⁴⁶ This result indicates that smartphone owners have not yet fully embraced in-store mobile payments.

Although in-store mobile contactless payments accounted for only 333.7 million (four per cent of total contactless transaction volume) in 2022, transaction volume grew by 15 per cent from 2021.¹⁴⁷

¹³⁷ TSI. 2023 Canadian Payments Forecast.
¹³⁸ Ibid.
¹³⁹ Figures provided by Interac.
¹⁴⁰ Ibid.
¹⁴¹ Ibid.
¹⁴² Calculated figures from data provided by Interac and TSI 2023 Canadian Payments Forecast.
¹⁴³ Ibid.
¹⁴⁴ Ibid.
¹⁴⁵ TSI. 2022 Canadian Payments Forecast.
¹⁴⁶ Ibid.
¹⁴⁷ TSI. 2023 Canadian Payments Forecast.

Likewise, in-store mobile contactless value reached \$9.6 billion (representing only four per cent of total contactless transaction value) in 2022.¹⁴⁸ Year-over-year value growth was 25 per cent.¹⁴⁹

The growth in in-store mobile contactless payments is expected to continue due to a number of factors: mobile payment offerings are maturing and focussed on creating engaging user experiences rather than just basic functionality; the penetration of NFC-enabled phones is rapidly growing; and Canadians have become regular users of contactless payments.¹⁵⁰

Wearables such as smart watches were not widely used by Canadians to make payments. Wearables were used to initiate 36.4 million payment transactions worth \$902 million in 2022.¹⁵¹ Total wearable payments accounted for less than one per cent of total contactless transaction volume and value in 2022.¹⁵² Still, usage increased by 26 per cent and 37 per cent in transaction volume and value respectively from 2021.¹⁵³ Overall, just under one in five Canadians (18 per cent) are comfortable making a payment using a wearable device like a watch, fitness tracker or a ring, compared to 20 per cent in 2021.¹⁵⁴

QR codes were also not widely used by Canadians to make payments in 2022. Less than one in ten Canadians (nine per cent) has ever made a QR code payment.¹⁵⁵ Canadians are more likely to use QR code payments in the next twelve months for a number of situations including paying at a store checkout by scanning the retailer's QR code on their smartphone (19 per cent), paying on a website by scanning the retailer's QR code on their smartphone (18 per cent) and paying a paper bill by scanning the retailer's QR code on their smartphone (19 per cent).¹⁵⁶ Overall, consumer comfort level with using QR codes for making payments either at a store or merchant website weakened in 2022 compared to a year ago (13 per cent versus 22 per cent respectively). The top three reasons driving Canadians' hesitancy to use QR code payments were a preference for using established payment methods (45 per cent), security concerns (31 per cent) and a lack of trust in this payment method (27 per cent).¹⁵⁷

¹⁴⁸ TSI. 2023 Canadian Payments Forecast.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ Ibid.

¹⁵² Ibid. (Note: Due to a change in the methodology for analysis of wearable payments based on new questions that were asked in TSI's Canadian Consumer Payments Survey, there were significant differences in the volume, value and frequency of payments compared to previous reporting years)

¹⁵³ Ibid.

¹⁵⁴ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

¹⁵⁷ Ibid.



2022 HIGHLIGHTS

- ▶ EFT led all other payment types in transaction value accounting for 59 per cent of the total payment value in 2022 (increasing from 57 per cent in 2021).
- ▶ EFT transaction value increased by 11 per cent from 2021, compared to a year-over-year increase of 21 per cent in 2021.
- ▶ EFT transaction volume slightly increased by one per cent from 2021, compared to a year-over-year increase of six per cent in 2021.
- ▶ The average EFT transaction value increased by 11 per cent to \$2,235 in 2022 (compared to \$2,021 in 2021).

Electronic funds transfer (EFT)

Electronic funds transfer includes transactions carried out either through a personal deposit or business operating account held at a Canadian financial institution (direct deposits, electronic remittances, pre-authorized debits and other online bill payment transactions).

There were a total of 3.1 billion EFT transactions worth \$6.9 trillion in 2022. EFT continued to account for the largest share of total transaction value (59 per cent) compared to all other payment types. It also continued to be the most used method for paying business expenses by small medium enterprises (SME) (52 per cent) and commercial businesses (60 per cent) in 2022.¹⁵⁸ Businesses prefer using EFT because of the speed and convenience it provides. As well, it is easier to track and reconcile expenses and is a supplier-preferred method of payment.¹⁵⁹ See the **business payments** section for more.

EFT transaction value increased by 11 per cent from 2021, compared to a year-over-year increase of 21 per cent last year. EFT transaction volume slightly increased by one per cent from 2021, compared to a

year-over-year increase of six per cent last year. The growth in EFT value and volume in 2022 was linked to the following factors.

Automatic Funds Transfer¹⁶⁰ (AFT) debit and credit accounted for 84 per cent of overall EFT transaction value in Canada. Despite the economic challenges in 2022, the values of both AFT debit and credit remained constant. AFT debit and credit still dominated the overall EFT transaction volume representing 69 per cent of total volume. AFT credit volume grew by eight per cent, and AFT debit volume grew by three per cent in 2022 compared to last year.¹⁶¹ AFT volume and value, though generally higher, have remained relatively aligned with their 2021 numbers. Despite being a little slower than in 2021, AFT payment growth was still positive in 2022.

The Producer Price Index (PPI), a measure of inflation of input prices for final consumer goods, increased by 12.9 per cent on an annual average basis in 2022.¹⁶² That ranked as the fifth-largest increase on record since the series' start in 1956.¹⁶³ As a result, the higher factors of production costs led to increased EFT payment values.

¹⁵⁸ RFi Global, RFi Group Canada Payments Report (2022).

¹⁵⁹ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

¹⁶⁰ An Automated Funds Transfer (AFT) is a standing banking arrangement where transfers from a customer's bank account are made on a regular basis. An example of this can be online bill payment transactions.

¹⁶¹ ACSS 2022 Transaction Data.

¹⁶² For more, see: <https://tradingeconomics.com/canada/producer-prices>.

¹⁶³ Ibid.

The lower year-over-year growth in EFT value for 2022 compared to 2021 (11 per cent vs. 21 per cent) was linked to the cessation of federal COVID-19 emergency benefits such as the Canada Recovery Benefit, Canada Recovery Caregiving Benefit and the Canada Recovery Sickness Benefit.¹⁶⁴ There were a total of 335 million government direct deposits worth \$373 billion.¹⁶⁵ For the entire year, government direct deposits decreased in value and volume by 11 per cent and 10 per cent respectively from 2021 due to the termination of pandemic-related emergency benefits provided by the federal government.¹⁶⁶

EFT usage among Canadians continues to be driven by recurring payment and online bill payment use cases. Of all bill payment types, Canadians are most likely to pay their home and auto insurance bills and car and mortgage payments using pre-authorized debits (see **Figure A10: Bill payments heat map** in appendix for more). For their taxes and credit card bills, consumers are more likely to use online/mobile banking bill payment.¹⁶⁷ In general, Canadians who regularly use EFT do so for several reasons. It is perceived to be fast, more convenient than other payment methods and easier for keeping track of expenses.¹⁶⁸ For more, see **Table 11: Top five drivers of EFT use**.

Overall, the most common payment uses for EFT among Canadians were utility bill payment (44 per cent), insurance bill payment (41 per cent), credit card bill payment (40 per cent) and paying taxes (23 per cent).¹⁶⁹ The biggest frustrations faced by Canadians when using EFT payments were not receiving any discounts or loyalty rewards for using this payment method (16 per cent), not getting confirmation that the payment went through successfully (eight per cent), not fast enough (six per cent) and not easy to keep track of payments sent or received (six per cent).¹⁷⁰

¹⁶⁴ For more, see: <https://www.canada.ca/en/revenue-agency/services/benefits.html>.

¹⁶⁵ ACSS 2022 Transaction Data.

¹⁶⁶ Ibid.

¹⁶⁷ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

¹⁶⁸ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹⁶⁹ Ibid.

¹⁷⁰ Ibid.

TABLE 11: TOP FIVE DRIVERS OF EFT USE (CONSUMERS)

Base: Frequently use EFT (n=3032)

Easier/more convenient than other payment methods	44%
Fast	38%
Easier to keep track of expenses	26%
Able to use my own funds (rather than borrow)	21%
More secure than other payment methods	17%

Frequently use = monthly or more often



2022 HIGHLIGHTS

- ▶ Online transfers account for five per cent of total payments volume and three per cent of total payments value.
- ▶ Year-over-year volume and value growth decreased to 11 per cent and 19 per cent respectively, compared to year-over-year volume growth of 26 per cent and value growth of 30 per cent in 2021. In spite of this, online transfer continued to be the fastest growing payment type in 2022.
- ▶ For the first time ever, online transfer usage surpassed personal EFT¹⁷¹ usage based on volume.
- ▶ The average online transfer transaction value increased by seven per cent to \$346 from 2021.
- ▶ *Interac* e-Transfer is extremely popular among Canadians, with 1.06 billion e-Transfers being sent in 2022, representing an 11 per cent increase in transaction volume from 2021. *Interac* e-Transfer value increased by 19 per cent to \$383 billion from 2021.¹⁷²
- ▶ PayPal transaction volumes and values also increased in the past year, rising to 54 million transactions worth \$4.2 billion in 2022.
- ▶ The main reasons Canadians use online transfers continued to be speed, convenience, and the ability to use their own funds rather than borrow.

¹⁷¹ Personal EFT refers to consumer use of AFT credits/debits and electronic remittances (i.e. consumers paying bills through pre-authorized debits).

¹⁷² Figures provided by Interac.

Online transfer

Online transfers include electronic transactions initiated through online services and providers, which are either pre-funded or linked to a deposit account held at a Canadian financial institution. The two most familiar examples are *Interac* e-Transfer and PayPal.

Online transfer continued to be the fastest growing payment type with year-over-year volume growth of 11 per cent and value growth of 19 per cent from 2021. Five-year compound annual growth rates for volume and value were 34 per cent and 33 per cent respectively. In 2022, online transfer usage surpassed personal EFT usage for the very first time. Online transfer volume reached 917 million transactions compared to 870 million transactions for personal EFT. Canadians who regularly use online transfers do so because they are able to use their own funds rather than borrow, that online transfers are perceived to be fast and that they are more convenient than other payment methods. For more, see **Table 12: Top five drivers of online transfer use.**

Interac e-Transfer continued to dominate the online transfer payment segment in Canada. In 2022, three in five Canadians (61 per cent) used *Interac* e-Transfer to either send or receive a

payment in a given month.¹⁷³ Among Canadians who conducted a mobile payment transaction in the past six months, 60 per cent accepted an *Interac* e-Transfer while 58 per cent sent money to someone using an e-transfer.¹⁷⁴

The total volume of *Interac* e-Transfers increased by 11 per cent in 2022 to 1.06 billion transactions.¹⁷⁵ Total transaction value increased by 19 per cent to \$383 billion.¹⁷⁶ The average number of *Interac* e-Transfer transactions per user increased by 30 per cent to 43 transactions, while the average transaction amount sent increased by seven per cent to \$361.¹⁷⁷

Interac e-Transfer remained the most popular and preferred method for peer-to-peer (P2P) money transfers in Canada driven by its perceived ease of use and convenience. Sixty-nine per cent of Canadians indicated they usually used *Interac* e-Transfer to send money to their family members and friends.¹⁷⁸ Young

¹⁷³ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹⁷⁴ TSI. 2022 Canadian Payments Forecast.

¹⁷⁵ Figures provided by Interac.

¹⁷⁶ Ibid.

¹⁷⁷ Ibid.

¹⁷⁸ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

Canadians (18 – 34 years) were more likely to prefer using *Interac* e-Transfer for P2P transfers than older Canadians (55 years or over) (76 per cent vs. 61 per cent respectively).¹⁷⁹

The most common use for *Interac* e-Transfers among Canadians was repaying someone for money that was borrowed (43 per cent), followed by sending a cash gift to someone (36 per cent) and account-to-account money transfers between different financial institutions (35 per cent).¹⁸⁰ Young Canadians were significantly more likely than middle-aged or older Canadians to use *Interac* e-Transfers to repay someone for money borrowed (60 per cent vs. 40 per cent and 29 per cent respectively).¹⁸¹ On the other hand, older Canadians were significantly more likely than middle-aged (35 – 54 years) or younger Canadians to use *Interac* e-Transfers to send a cash gift to someone (47 per cent vs. 33 per cent and 29 per cent respectively).¹⁸²

Looking ahead, a desirable use case for *Interac* e-Transfer would be to make a payment to a retail merchant for either an in-store or online purchase. For instance, one in 10 Canadians who frequently use *Interac* e-Transfers indicated that not being able to use this payment method at physical stores or online retailers where they shop was the biggest frustration they experienced when using *Interac* e-Transfers for

payments.¹⁸³ Furthermore, 37 per cent of Canadians would be comfortable making a payment to a retail merchant using *Interac* e-Transfer for an in-store purchase.¹⁸⁴

Over half of Canadians (59 per cent) who use *Interac* e-Transfers to send money to their family members and friends perceive it to be safe and secure, and 70 per cent of Canadians who have ever sent money to their family members and friends would prefer using *Interac* e-Transfer as their P2P payment method.¹⁸⁵ Besides fees, the biggest frustration faced by *Interac* e-Transfer users when sending money to their family members and friends is having to create a security question and password for the recipient to access the money (19 per cent), or setting up a contact/getting their information correct (15 per cent).¹⁸⁶

The year-over-year volume growth of *Interac* e-Transfers was lower in 2022 compared to 2021. Transaction volume grew by 11 per cent in 2022 versus 26 per cent in 2021.¹⁸⁷ This dip in volume growth is linked to the diminishing impact of the pandemic on *Interac* e-Transfer usage. As reported in the **2021 Canadian Payment Methods and Trends report**, the COVID-19 pandemic led to a surge in *Interac* e-Transfer volume in 2020 which carried over in 2021. Canadians favoured using e-transfers over cash and cheques for P2P transactions, due to ongoing concerns of virus

transmission. In 2022, the proportion of Canadians who stated they were using *Interac* e-Transfers at the same level compared to twelve months ago increased to 65 per cent from 61 per cent in 2020.¹⁸⁸

PayPal transaction volumes and values also increased in the past year, rising to 54 million transactions worth \$4.2 billion in 2022. PayPal’s transaction volume and value increased by 17 per cent and 14 per cent respectively from 2021.¹⁸⁹ Overall, close to three in five Canadians (58 per cent) had a PayPal account set up in 2022 with 40 per cent making at least one PayPal transaction in a given month.¹⁹⁰ The average monthly volume and value of PayPal transactions per user in 2022 were 3.9 and \$323 respectively.¹⁹¹

Besides offering consumers the ability to send and request money, PayPal also provides a way for them to make online purchases. In fact, PayPal remained the second most popular online payment method after credit cards, with 18 per cent of Canadians reporting having used PayPal to make an online purchase within a given month in 2022.¹⁹² This figure increases to 37 per cent among Canadians who have a mobile wallet.¹⁹³

TABLE 12: TOP FIVE DRIVERS OF ONLINE TRANSFER USE (CONSUMERS)

Base: Frequently use online transfers (n=2752)

Fast	48%
Easier/more convenient than other payment methods	42%
Able to use my own funds (rather than borrow)	25%
Easier to keep track of expenses	20%
Widely accepted	20%

Frequently use = monthly or more often

¹⁷⁹ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹⁸⁰ Ibid.

¹⁸¹ Ibid.

¹⁸² Ibid.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ Ibid.

¹⁸⁷ Figures provided by Interac.

¹⁸⁸ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹⁸⁹ Figures provided by Statista. For more, see: <https://www.statista.com/statistics/218495/paypals-net-number-of-payments-per-quarter/> and <https://www.statista.com/statistics/277841/paypals-total-payment-volume/>.

¹⁹⁰ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

¹⁹¹ Ibid.

¹⁹² Ibid.

¹⁹³ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

2022 HIGHLIGHTS

- ▶ The average number of international payments made by Canadians who made at least one payment in a given month increased year-over-year to 6.6 from 5.3.
- ▶ The total average payment value decreased to \$522 from \$1,156 CAD last year.
- ▶ Overall, Canadians still prefer using their main bank or credit union for sending money internationally. One third of Canadians (33 per cent) who sent money internationally in the last twelve months either used online/mobile banking or visited their bank branch to send these payments.

International payments

In total, 15 per cent of Canadians sent money internationally in the last twelve months using their Canadian bank account.¹⁹⁴ Seven per cent of Canadians transferred money internationally to another individual with a bank account in a foreign country. Six per cent of Canadians paid an international merchant directly (e.g., buying from U.S. or international e-commerce websites). Five per cent of Canadians transferred funds internationally to a bank account in their name in a foreign country.¹⁹⁵ Over the last twelve months, 37 per cent of Canadians who sent money internationally were doing so on a frequent basis—at least once a month.¹⁹⁶

Banks or credit unions were the most frequently used channel for sending international payments, a trend which has not changed from 2021. Thirty-three per cent of Canadians who sent money internationally in the last twelve months either used online/mobile banking (25 per cent) or visited their bank branch (eight per cent) to send these payments.¹⁹⁷ The next two most popular methods used by Canadians for sending money internationally were PayPal (22 per cent) and Western Union (16 per cent).¹⁹⁸

Alternative methods for sending money internationally, such as digital currencies and social media platforms, were not widely used. This may be due to a lack of awareness, access or trust in the entities offering these services. Only five per cent of all Canadians have ever used digital currencies to send money internationally.¹⁹⁹ An equally small proportion of Canadians (five per cent) indicated that they would likely use digital currencies in the next twelve months to send money internationally.²⁰⁰ Young Canadians (18-34 years) would be more likely to use digital currencies if it were less expensive than other methods. Over one in four young Canadians (26 per cent) would likely use digital currencies to send money abroad if it was cheaper than other

¹⁹⁴ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

¹⁹⁵ Ibid.

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.

¹⁹⁸ Ibid.

¹⁹⁹ Ibid.

²⁰⁰ Ibid.

methods, compared to 18 per cent of middle-aged Canadians (35 – 54 years) and seven per cent of older Canadians (55 years or over).²⁰¹

Other methods of sending money internationally offered by Visa, Mastercard or *Interac*, were not widely used by Canadians. Only seven per cent of all Canadians have ever used Visa Direct²⁰² for sending money internationally. Mastercard Send²⁰³ (five per cent) and *Interac* International Transfer²⁰⁴ (12 per cent) were also not widely used.²⁰⁵ When asked which payment method or provider they would be most comfortable using for sending money internationally, 21 per cent of Canadians selected Interac as their top choice and 10 per cent of Canadians selected Visa/Mastercard as their top choice.²⁰⁶

Given the choice, more than a third (35 per cent) of Canadians who sent money internationally in the last twelve months would still prefer to use online/mobile banking for this purpose, followed by PayPal (23 per cent) and visiting their main bank or credit union branch (nine per cent). Wise and Western Union were tied for the next most preferred method of sending money internationally (eight per cent each).²⁰⁷

A significantly greater proportion of older Canadians (55 years or older) used online/mobile banking to send money internationally than middle-aged (35 – 54 years) and young Canadians (18 – 34 years) in the last twelve months (47 per cent versus 22 per cent and 13 per cent respectively).²⁰⁸ The main reasons why older Canadians

choose their primary bank or credit union for sending money abroad were perceived convenience, safety and security.²⁰⁹ Young and middle-aged Canadians were significantly more likely than older Canadians to have sent international payments using PayPal (24 per cent and 29 per cent versus nine per cent respectively).²¹⁰ They cited low transaction fees, ease of keeping track of payments, security and convenience as key factors for choosing to use PayPal.²¹¹

The average number of international payments per month made by Canadians increased year-over-year to 6.6 from 5.3, while the average payment value decreased to \$522 from \$1,156 CAD last year.²¹² The sharp drop in the average monthly value of international payments made by Canadians in 2022 compared to 2021 may be partly due to a reduction in the flow of high value pandemic-related support payments made to family or friends as the pandemic recovery was in full swing. The United States remained the most popular international destination for Canadians sending money to people in other countries in a given month (36 per cent), followed by the United Kingdom (13 per cent), Germany (12 per cent) and Hong Kong (10 per cent). India fell out of the top five ranking (four per cent) compared to second place last year.²¹³

Overall, speed, ease of use and safety/security were the top drivers of use regardless of payment method when it comes to sending money internationally among Canadians. For those who mainly used online/mobile banking to send money internationally in the past twelve

²⁰¹ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

²⁰² Visa Direct™ allows users to make payouts to their recipient's Visa-branded credit, debit, and reloadable prepaid cards internationally.

²⁰³ Mastercard Send™ allows users to send money internationally to bank accounts, debit or prepaid Mastercard, a mobile wallet, or a cash-out location.

²⁰⁴ *Interac* International Transfers™ allow users to send electronic money transfers internationally from their Canadian bank account directly to the recipient's bank account.

²⁰⁵ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

²⁰⁶ Ibid.

²⁰⁷ Ibid.

²⁰⁸ Ibid.

²⁰⁹ Ibid.

²¹⁰ Ibid.

²¹¹ Ibid.

²¹² Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

²¹³ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.



months, speed (55 per cent) was the top reason for their payment method choice. This was also the case for those who mainly used Western Union (41 per cent). Canadians who mainly used PayPal to send money internationally in the past twelve months were attracted to this method of payment due to its ease of use (49 per cent) and safety/ security (47 per cent).²¹⁴ For more, see **Figure 7: Drivers of use for top three methods of sending international payments.**

Most Canadians cited the high cost of transactions as their single biggest challenge when sending money abroad, with 22 per cent of Canadians identifying this as their main issue (down from 28 per cent a year ago).²¹⁵ Costs associated with unexplained fees (21 per cent), not knowing the currency exchange rate before the transaction was settled and cleared (19 per cent) and the length of time it took for the money to appear on the beneficiary account (18 per cent) were other major pain points for Canadians.²¹⁶ Of note, the proportion of older Canadians who cited “extra/hidden fees” as their biggest challenge when sending money internationally increased significantly in 2022 compared to 2021 (31 per cent versus 18 per cent respectively).²¹⁷

About three in ten Canadian businesses (31 per cent) sent money internationally in the past twelve months,

down from 43 per cent last year.²¹⁸ The majority of these businesses (68 per cent) were frequently sending money internationally (once a month or more often) and the most popular method continued to be using online/mobile banking (39 per cent) or visiting the branch of their main bank or credit union (13 per cent).²¹⁹ Other common ways used by businesses to send money internationally in the last twelve months included PayPal (12 per cent) and Western Union (nine per cent).²²⁰

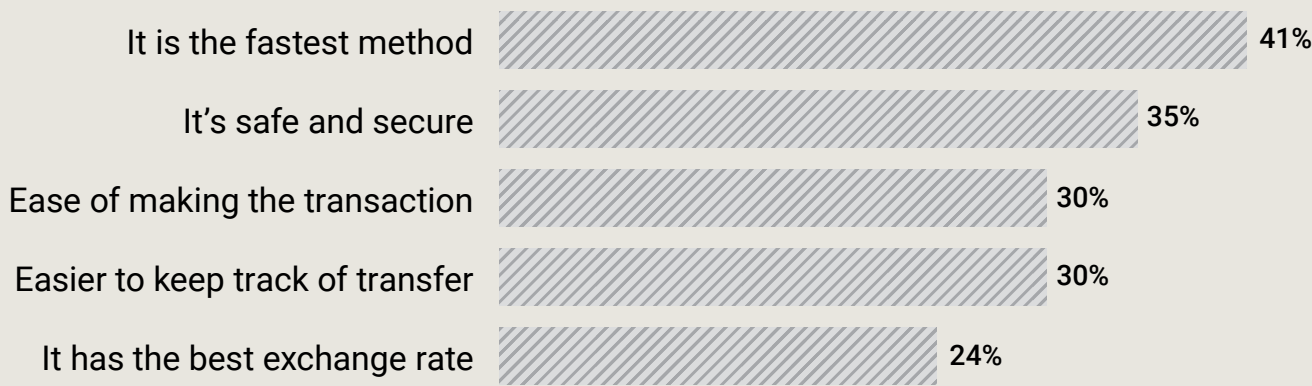
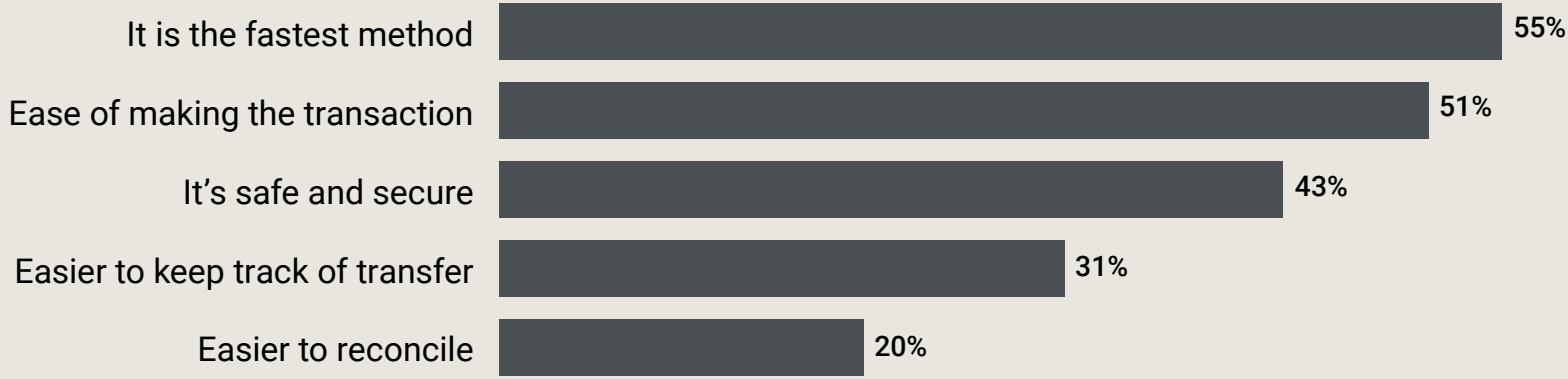
Alternative methods for sending money internationally, such as digital currencies and social media platforms, were not widely used by Canadian businesses. Only six per cent of all businesses used social media platforms in the last twelve months to send money internationally, while 11 per cent of businesses have ever used digital currencies to send money internationally.²²¹ Other methods such as Visa Direct and Mastercard Send are also not widely used with 13 per cent of all businesses having reported ever using either method for sending money internationally.²²²

When asked which payment method they would prefer to use to send money internationally, 44 per cent of all businesses would still prefer either using online/mobile banking or visiting the branch of their main bank or credit union (15 per cent), followed by Western Union

²¹⁴ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.
²¹⁵ Ibid.
²¹⁶ Ibid.
²¹⁷ Ibid.
²¹⁸ Leger/Payments Canada. 2022 Business Payments Tracker Survey.
²¹⁹ Ibid.
²²⁰ Ibid.
²²¹ Ibid.
²²² Ibid.

FIGURE 7: DRIVERS OF USE FOR TOP THREE METHODS OF SENDING INTERNATIONAL PAYMENTS

ONLINE/MOBILE BANKING



Base: Have sent money internationally in the P12M (2022).



(10 per cent).²²³ Commercial businesses (those with an annual revenue between \$10 million and \$500 million) are more likely than SMEs (businesses with an annual revenue between \$0 and \$10 million) to prefer using PayPal (12 per cent versus five per cent respectively).²²⁴

Convenience (40 per cent) and security (38 per cent) were the primary drivers when choosing an international money transfer service among Canadian businesses, a trend which has not changed from last year.²²⁵ Other key factors that influence the payment method choice for sending money internationally were speed (34 per cent), ease of tracking the transfer (31 per cent) and low transaction fee (24 per cent).²²⁶

The United States remained the most popular destination for sending money abroad for Canadian businesses (63 per cent). This was followed by China (18 per cent), United Kingdom (12 per cent), India (11 per cent) and Germany (10 per cent).²²⁷ Last year's CPMT report indicated that SMEs were more likely than larger-sized businesses to be sending money internationally to a number of different countries and regions. This was not the case this year. Both SMEs

and commercial businesses were equally likely to have sent money internationally to a number of different countries and regions.²²⁸

The main reason why Canadian businesses sent money internationally in the last twelve months was to pay foreign suppliers (53 per cent). Other key reasons included making payments (e.g., taxes, bill payments) for a foreign property (29 per cent), sending money to a client (23 per cent) and paying salaries/wages to employees working abroad (23 per cent).²²⁹

Most businesses cited the high transaction cost as their single biggest challenge when sending money abroad, with 34 per cent of businesses identifying this as their main issue (slightly up from 33 per cent a year ago).²³⁰ Costs associated with unexplained fees (26 per cent), slow transfers (24 per cent), not knowing the currency exchange rate before the transaction was settled and cleared (22 per cent) and the number of steps involved to complete the transaction (19 per cent) were other major pain points for businesses.²³¹

²²³ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

²²⁴ Ibid.

²²⁵ Ibid.

²²⁶ Ibid.

²²⁷ Ibid.

²²⁸ Ibid.

²²⁹ Ibid.

²³⁰ Ibid.

²³¹ Ibid.

2022 HIGHLIGHTS

- ▶ Over half of Canadian consumers (55 per cent) made an online purchase in a given month (down from 58 per cent a year ago).²³²
- ▶ The top categories of online purchases in 2022 were clothing, restaurants/fast food, groceries and electronics. Other purchase categories including travel and entertainment events strongly rebounded in 2022 compared to a year ago and signalled a resumption of prepandemic economic activity.
- ▶ Credit cards continued to be the preferred payment choice for e-commerce transactions at 54 per cent, followed by PayPal at 18 per cent. This is unchanged from last year.

²³² Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

The e-commerce environment

E-commerce refers to the use of web-based store fronts and applications via computers or mobile devices (e.g., smartphones, tablets) to obtain goods and services from merchants. In 2022, e-commerce payment transactions totalled 530 million transactions worth \$69.2 billion in Canada, up six per cent in volume and 10 per cent in value from 2021.²³³

In spite of the return to in-store shopping, e-commerce transactions increased in 2022. E-commerce sales accounted for 6.5 per cent of retail sales in 2022, up from a share of 6.2 per cent in 2021.²³⁴ Forty-eight per cent of Canadians reported going online to buy different products compared to 50 per cent in 2021.²³⁵ Close to half of all Canadians (49 per cent) were comfortable storing their personal payment details with a retail website or app (e.g., Amazon.ca, Walmart.ca).²³⁶ On average, Canadians made 3.6 purchases

(down from 3.9 a year ago) and spent \$217 in a given month online (down from \$222 a year ago).²³⁷

Credit cards continued to account for the largest share of e-commerce purchases at 54 per cent, followed by PayPal at 18 per cent in 2022, unchanged from 2021 (see **Figure 8: E-commerce payment mix for more**).²³⁸ Just over one in ten Canadians (11 per cent) used a smart device or social media for placing an online order or initiating a payment in the last month. The following types of smart devices or social media were used for online purchases in the last month: Alexa/Amazon (three per cent), Google Home (three per cent), Instagram (three per cent) and Facebook (three per cent).²³⁹

Canadians were generally satisfied when it came to their payment experience buying online in 2022. Half of consumers (50 per cent) were satisfied with the time it

took to execute the payment when making a payment through a website or payment app (up from 49 per cent last year).²⁴⁰ Similarly, 52 per cent of Canadians were satisfied with the time it took the website or payment app to approve the purchase when purchasing online (up from 51 per cent last year).²⁴¹ Only 11 per cent of Canadians were not able to use their preferred payment method while shopping online (down from 12 per cent last year).²⁴²

While domestic online transactions were easy for most Canadians, international online transactions pose a challenge for some Canadians. In 2022, 89 per cent of consumers rated their experience with purchasing something online in Canada as easy (up from 77 per cent last year), compared to 67 per cent for purchasing something from an international website.²⁴³ But, this is a marked improvement from last year in which

²³³ TSI. 2023 Canadian Payments Forecast.

²³⁴ Statistics Canada. Retail trade, December 2022. For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/230221/dq230221b-eng.htm>.

²³⁵ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

²³⁶ Ibid.

²³⁷ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.

²³⁸ Ibid.

²³⁹ Ibid.

²⁴⁰ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

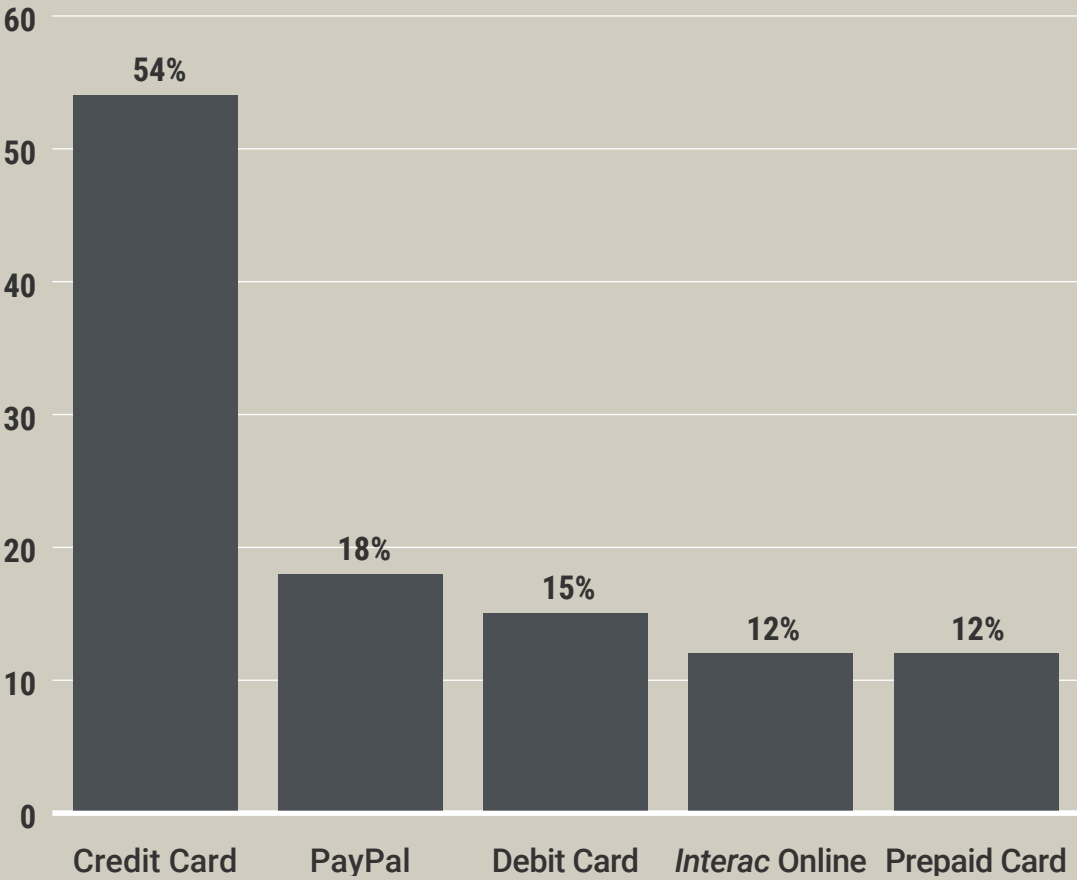
²⁴¹ Ibid.

²⁴² Ibid.

²⁴³ Ibid.



FIGURE 8: E-COMMERCE PAYMENT MIX*



* Payment methods used by Canadians for online purchases in the last month (2022).

only 44 per cent of Canadians rated their experience for purchasing something from an international website as easy.

The top categories of online purchases in 2022 were clothing, restaurants/fast food, groceries and electronics. Other purchase categories like travel and entertainment events strongly rebounded in 2022 compared to a year ago and signalled a shift towards the resumption of prepandemic economic activity. Specifically, 17 per cent of online purchases made in the last twelve months were travel-related compared to nine per cent a year ago. Fourteen per cent of online purchases made in the last twelve months were for entertainment events compared to five per cent in 2021.²⁴⁴ Twenty-three per cent of Canadians reported using delivery services (e.g., Uber Eats, Foodora, Instacart, etc.) more often than they used to since the start of the pandemic, which is significantly lower compared to last year’s figure of 33 per cent.²⁴⁵ This result indicates that some consumers resumed shopping in stores and dining in at restaurants in 2022.

Most online purchases by Canadians were still made via merchant websites (e.g., Amazon.ca

or Walmart.ca), followed by in-app purchases through a mobile device.²⁴⁶ Online purchases made through gaming consoles continued to trail these two channels.²⁴⁷ Fifty-nine per cent of Canadians who made an online purchase in a given month did so by using their computer/laptop or mobile device to access online merchant web pages, compared to 63 per cent in 2021.²⁴⁸ The proportion of Canadians who made in-app purchases in a given month remained the same as last year at 21 per cent, while those who made an online purchase using their gaming consoles slightly increased from eight per cent in 2021 to nine per cent in 2022.²⁴⁹

When it comes to adopting e-commerce payment innovations, 39 per cent of Canadians were likely to use one-click pay when shopping online if this option was available.²⁵⁰ One-click pay allows customers to complete online purchases without having to input their payment and shipping/billing information. Instead, they click one button to purchase the item that they wish to buy and everything else is taken care of (i.e., payment and order fulfillment) by using personalized data on file with the retailer provided by the customer.

One-click pay is not new. Mastercard offers its Mastercard Click to Pay which allows cardholders to shop without having to type in their card payment details. They simply look for the Click to Pay icon when checking out online where Mastercard is accepted. Visa offers the identical service for bank-issued Visa credit cards. Because a large proportion of Canadians have their payment details stored on a website or app (48 per cent), it may help explain why close to two out of five Canadians would use one-click pay when shopping online.

Of those likely to use one-click pay, 68 per cent would prefer to use their credit cards for their one-click pay online purchases, mainly to benefit from the attached loyalty/reward programs (42 per cent).²⁵¹ Older Canadians (55 years or over) are also drawn to using their credit cards for one-click pay when shopping online because they feel their credit cards offer strong security and protection against payment fraud (29 per cent).²⁵²

²⁴⁴ TSI. 2022 Canadian Payments Forecast.
²⁴⁵ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.
²⁴⁶ Leger/Payments Canada. 2022 Canadian Consumer Payments and Transactions Survey.
²⁴⁷ Ibid.
²⁴⁸ Ibid.
²⁴⁹ Ibid.
²⁵⁰ Ibid.
²⁵¹ Ibid.
²⁵² Ibid.



Digital currencies

The world of digital currencies²⁵³ encountered strong headwinds in 2022. The year may be remembered either as the year that digital currencies lost their sparkle and were dismissed as experimental, or as a stretch of growing pains for an innovation still in its early days to be approached with wariness.

Crypto markets were impacted by a series of events in 2022 including the failure of multiple stablecoins (e.g., TerraUSD and Luna); the collapse of FTX²⁵⁴; the series of interest rate hikes by global central banks to combat rising inflation, and concerns over cryptocurrency regulations. All of these factors contributed to a period of persistent decreases in the value of cryptocurrency.²⁵⁵

While most Canadians have an awareness of digital currencies, interest and use is still quite low. Nearly half of all Canadians (49 per cent) are aware of cryptocurrencies, but 86 per cent of Canadians have neither held cryptocurrency as an investment nor used it for making a payment (slightly lower than the 90 per cent figure from a year ago).²⁵⁶ A large majority of Canadians (77 per cent) are not interested in paying for their purchases at a store or online using cryptocurrency²⁵⁷ and only one per cent of Canadians would be most comfortable using either cryptocurrencies (e.g., Bitcoin, Ethereum) or stablecoins (e.g., USDC) for sending money internationally.²⁵⁸ The low adoption rate of digital currencies in Canada is mainly driven by lack of interest or need in

²⁵³ Digital currencies specifically refers to cryptocurrencies (for example: using Bitcoin, Ethereum, etc.) and stablecoins (for example: USD Coin, Tether).

²⁵⁴ FTX Trading Ltd., commonly known as FTX, is a bankrupt company that formerly operated a cryptocurrency exchange and crypto hedge fund. FTX was one of the world's largest cryptocurrency exchanges and enabled customers to trade digital currencies for other digital currencies or traditional money, and vice versa.

²⁵⁵ For more, see: <https://www.ft.com/content/9ccc707e-e5a5-409c-978e-e72934fabaca>.

²⁵⁶ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

²⁵⁷ Ibid.

²⁵⁸ Ibid.

using this type of currency (51 per cent), lack of trust in this type of currency (50 per cent), preference for current payment methods (46 per cent) and the unstable nature of cryptocurrency as a store of value (33 per cent).²⁵⁹

Among Canadians who have experience using cryptocurrency, 64 per cent held cryptocurrency as an investment asset only, while 21 per cent used it for making a payment only.²⁶⁰ Young Canadians (18 – 34 years) are much more likely than older Canadians (55 years and older) to have ever used cryptocurrency (29 per cent versus three per cent respectively).²⁶¹ Of those who would be interested in paying for their in-store or online purchases using cryptocurrency, the top three purchase categories are retail and grocery (40 per cent), travel (39 per cent) and luxury goods (32 per cent), which indicates they would be interested in paying for both everyday and big ticket purchases using cryptocurrency. Other popular purchase categories include financial services, automotive and gaming. Using cryptocurrency for gaming-related purchases is especially popular among young and middle-aged Canadians (18 – 54 years).²⁶²

Crypto-lending is another area that has wide appeal among Canadians who have experience using cryptocurrency. A cryptocurrency-backed loan relies on an individual's cryptocurrency holdings as collateral, similar to a securities-based loan. The basic principle

works like a mortgage loan or auto loan — the client pledges cryptocurrency assets to obtain the loan and pays the loan off over time. Forty per cent of Canadians who have experience using cryptocurrency would be interested in using crypto-lending if it were available.²⁶³ Of these, over half (55 per cent) are young Canadians.²⁶⁴ If crypto-lending was offered, the leading preferred providers would be PayPal (64 per cent), big tech companies such as Amazon, Apple or Google (57 per cent), traditional banks or credit unions (56 per cent) as well as digital-only banks such as EQ Bank or Simplii Financial (56 per cent).²⁶⁵

Many big banks and investment managers expect the cryptocurrency market to pick up in 2023. According to a Bank of America analyst: “An increased urgency for regulation may enable greater institutional engagement, and a shift in focus and capital from speculative trading to projects with real-world functionality, and companies with roadmaps to profitability may accelerate industry maturity.”²⁶⁶

In Canada, however, digital currencies are still far away from being considered a mainstream currency and method of payment.

²⁵⁹ Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

²⁶⁰ Ibid.

²⁶¹ Ibid.

²⁶² Ibid.

²⁶³ Ibid.

²⁶⁴ Ibid.

²⁶⁵ Ibid.

²⁶⁶ For more, see: <https://www.reuters.com/markets/currencies/crypto-winter-end-sight-ethereum-looks-shake-chills-analysts-2022-12-12/>.



FACING THE CHALLENGE OF FRAUD IN REAL-TIME PAYMENTS IN CANADA

By Ajoké Olorundaré

Real-time payments have revolutionized the global financial landscape, offering the capability of instant transactions and reshaping the way individuals and businesses manage their money. However, the real-time movement of money has also created additional opportunities for fraudsters who exploit the speed and irrevocability of push payments. This outcome has led to growing concerns around security and fraud prevention. This article explores the link between real-time payments and fraud, discusses the rise in fraudulent activities and provides insights into potential solutions for addressing this issue in Canada with the introduction of a Real-Time Rail (RTR) payment system.

Real-time payments, also known as instant payments, are electronic transactions that are processed and settled within seconds. Unlike traditional payment methods, which can take hours or even days to complete, real-time payments offer immediate confirmation and funds availability. This has led to increased efficiency, reduced transaction costs and improved cash flow management for businesses and consumers alike.

The advent of real-time payments has brought about a myriad of benefits, but it has also created additional avenues for fraudulent activities. With transactions being processed instantly, we have already seen in other jurisdictions operating a real-time payment system that fraudsters take advantage of the reduced time available for detecting and preventing suspicious activity.

Various types of fraud have been associated with real-time payments. These are not new fraud types created for real-time payments. They have been around for years and have evolved to become more effective and include:

- 1. Account takeover fraud:** This occurs when fraudsters trick a victim into disclosing their account login details, access a victim's account using the login details and start sending payments. To trick the victim into disclosing their account information or transferring money, fraudsters may pretend to be a bank or another respected organization (phishing scams). Malware (malicious software) may be used to hack into databases where customer credentials are stored. The use of ineffective authentication procedures is another method used for this type of fraud.
- 2. Authorized push payment (APP) fraud:** This type of fraud tricks victims into thinking they are sending money to the account belonging to the intended entity for a legitimate transaction. APP fraud frequently involves sophisticated con games, such as tricking the victim into paying for nonexistent goods or services.

In 2021, the Canadian Anti-Fraud Centre (CAFC) received 104,295 fraud reports totalling \$379 million CAD in losses. Only five per cent of Canadians filed a fraud report with the CAFC when they were victims of a scam. Online scams can be reported to the CAFC, which is managed by the Royal Canadian Mounted Police, the Competition Bureau Canada and the Ontario Provincial Police. The number of fraud reports that the CAFC received grew from 36,000 cases in 2019 to 56,000 cases in 2020, and then to 104,295 cases in 2021. The amount of money lost also increased, from \$81.2 million CAD in 2019, to \$92.4 million CAD in 2020, and then to \$379 million CAD in 2021. In 2021, the CAFC was able to recover \$3.35 million CAD.²⁶⁷

²⁶⁷ For more, see: <https://www.gasa.org/product-page/the-global-state-of-scams-2022-report>.

In February 2023, the Federal Trade Commission (FTC) shared that U.S. consumers reported losing nearly \$11.8 billion CAD to scams in 2022. This number marks a 30 per cent increase compared to 2021. Consumer losses to investment scams were the highest category, at \$5.1 billion CAD, which is nearly double the amount reported for 2021. Imposter scams were second highest with losses of \$3.5 billion CAD, up from \$3.2 billion in 2021.²⁶⁸

According to U.K. Finance's Annual Fraud Report 2022, \$980.4 million CAD was lost due to APP fraud in 2021, compared to \$707.2 million CAD in 2020. The same report states that APP fraud represented 44 per cent of total fraud losses in 2021, with card fraud representing 40 per cent and remote banking fraud comprising 15 per cent of the total.²⁶⁹

While these figures from Canada, the U.S. and U.K. encompass various types of transactions, real-time payments may have been used in some cases and provide an overview of fraud trends in these countries.

To effectively tackle the challenge of fraud in real-time payments, a multi-pronged approach is required. This involves collaboration among financial institutions, regulators, law enforcement and consumers to implement robust security measures and educate users about potential risks. Some key strategies to address this issue in Canada include:

1. Strengthening authentication and authorization procedures:

Implementing strong authentication methods, such as multi-factor authentication (MFA) and biometric verification, can help prevent unauthorized access to user accounts.

2. Transaction monitoring systems: When used to detect anomalies in behaviours and relationships for both the sending and receiving accounts, these systems help deter fraudsters.

3. Collaborative efforts: Financial institutions, payment providers, and regulators must work together to share information and best practices on combating fraud. This can help establish a unified front against criminal activity and ensure that security measures evolve in tandem with emerging threats.

4. Legal and regulatory frameworks: Developing and enforcing robust legal and regulatory frameworks is essential for deterring and prosecuting fraudsters. This includes updating laws and regulations to address the unique challenges posed by real-time payments and establishing clear guidelines for financial institutions to follow.

5. Consumer education and awareness: Educating consumers about prevalent types of fraud and scams they could be susceptible to and showing them how to protect themselves from falling prey to bad actors and common scams is key.

Real-time payments have undeniably transformed the financial landscape, offering unparalleled convenience and efficiency. However, this evolution of payments also creates new opportunities for fraud, necessitating a proactive and collaborative approach to mitigate these risks. By strengthening authentication procedures, enhancing data security, fostering collaboration, developing robust legal frameworks and raising consumer awareness, Canada can effectively address the challenges posed by fraud in real-time payments. As the nation moves towards introducing the Real-Time Rail, it is crucial that all stakeholders remain vigilant and committed to safeguarding the security and integrity of the payment ecosystem.

²⁶⁸ For more, see: <https://www.ftc.gov/news-events/news/press-releases/2023/02/new-ftc-data-show-consumers-reported-losing-nearly-88-billion-scams-2022>.

²⁶⁹ For more, see: https://www.ukfinance.org.uk/system/files/2022-06/Annual%20Fraud%20Report%202022_FINAL_.pdf.





BUSINESS PAYMENTS

The Canadian business landscape is largely made up of small and medium-sized enterprises (SMEs) which represent 98 per cent of total businesses operating within Canada.²⁷⁰ However, SMEs only account for 22 per cent of total business expenditure.²⁷¹ Mid-market businesses represent about two per cent of Canadian businesses, and 44 per cent of total business expenditure.²⁷² Large-market businesses account for less than one per cent of Canadian businesses, but make up 34 per cent of total business expenditure (see **Figure 9: Business classifications in Canada**).²⁷³ Understanding business payment behaviour is key to determining what drives the volumes of business payments.

Overall business sentiment weakened in 2022 as revealed by the Bank of Canada's Business Outlook Survey (Q4 2022).²⁷⁴ Businesses expected their sales to decline due to several factors. High inflation and the possibility of a recession exerted downward pressure on consumer spending.²⁷⁵ Rising interest rates also dampened the sales expectations of businesses and their plans to invest due to the higher cost of credit.²⁷⁶ However, businesses reported that the pressures on their production capacity have eased due to weaker demand and improvements in supply chain issues.²⁷⁷ Looking ahead, the leading obstacles that businesses expected to face in 2023 include rising inflation (58 per cent), rising cost of inputs (46 per cent), rising interest rates and debt costs (40 per cent) and recruiting and retaining skilled employees (40 per cent).²⁷⁸

In 2022, EFT and credit card payments continued to account for the largest proportion of spend for SMEs (45 per cent combined).²⁷⁹ Online transfers grew 150 per cent year-over-year and accounted for 15 per cent of total SME expenditures surpassing cheques for the first time as the next leading payment type.²⁸⁰ The growth in online transfers was mainly driven by the increased use of *Interac* e-Transfers. Twenty-eight per cent of SMEs were using *Interac* e-Transfers to initiate payments more often and 33 per cent

²⁷⁰ Statistics Canada. Canadian Business Counts, with employees, December 2022. SMEs are businesses with 1 – 99 employees. For more, see: <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3310066101>.

²⁷¹ Ibid.

²⁷² Ibid. Mid-market are businesses with 100-499 employees.

²⁷³ Ibid. Large-market are businesses with 500 or more employees.

²⁷⁴ For more, see: <https://www.bankofcanada.ca/2023/01/business-outlook-survey-fourth-quarter-of-2022/>.

²⁷⁵ Ibid.

²⁷⁶ Ibid.

²⁷⁷ Ibid.

²⁷⁸ For more, see: <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2023003-eng.htm>.

²⁷⁹ RFI Canadian Business Payments Report, 2022.

²⁸⁰ Ibid.

of SMEs were accepting *Interac* e-Transfer payments more often.²⁸¹ Twelve per cent of SMEs were also accepting PayPal payments more often.²⁸²

SME cheque use declined by seven per cent from 2021.²⁸³ Twenty-three per cent of SMEs were using cheques less often to make payments. Thirty-two per cent of SMEs were using cash less often for making payments (for more, see **Figure 10: Business payment mix**).²⁸⁴

EFT and credit card payments also led the way based on share of total spend for mid-market businesses. The share of spend held by cheque payments increased by four percentage points from 2021 to take third place (10 per cent) followed closely by wire transfer and cash (nine per cent each).²⁸⁵ The year-over-year decrease in the value of personal card (credit or debit) payments made by mid-market businesses was attributed to gains made by business credit card, cheque and cash. The share of total payment value for each of these payment instruments increased compared to 2021.²⁸⁶

SMEs and mid-market businesses relied on the same payment methods for a number of common use cases. EFT tends to be used for payroll disbursements,

government payments and recurring expenses (e.g., utilities, insurance, rent). The top reasons that motivated businesses to use EFT for paying their expenses included perceived convenience, ease of payment tracking and perceived speed of the payment process itself.²⁸⁷

Business credit cards were mainly used to pay for one-time expenses such as office supplies/computer equipment, travel-related and entertainment expenses and fuel costs.²⁸⁸ The main reasons businesses used credit cards included wide acceptance, rewards, perceived convenience and ease of payment tracking.²⁸⁹ The convenience factor is particularly relevant for use cases like employees paying for travel or entertainment. Also, easier payment tracking is especially vital for SMEs when it comes to managing cash flow.

Although cheque use among businesses has been gradually declining over the past five years in Canada, cheques are still widely used by businesses of all sizes. Cheques were used by businesses for both recurring and one-time expenses, such as government payments/taxes, professional services, payroll and rent.²⁹⁰ Businesses that continue to pay their expenses by cheque do so for several reasons including wide

acceptance, ease of payment reconciliation and supplier preference.²⁹¹ The prevalence of cheque usage coupled with a preference for cheques indicates that there are still many businesses operating within certain industries (e.g., real estate) that have payment structures based on cheques rather than electronic payment methods.²⁹² For more information on the use cases for top payment methods by business segment, see **Table 13: Most common use cases for business payment methods**.

When it comes to payment frustrations faced by businesses, fees (27 per cent) continued to lead all other types of pain points experienced in 2022. Other key payment pain points experienced by businesses were remembering when payments were due (17 per cent), managing the businesses' cash flow (15 per cent) and payment reconciliation (14 per cent). Other key points of friction among SMEs included payment processing delays (14 per cent) and that not all methods of payment were accepted (14 per cent). For mid-market businesses, key points of friction were processing delays (21 per cent), not receiving confirmation that the payment was received and accepted by the payee (20 per cent) and security concerns (18 per cent).²⁹³

As more Canadians embrace digital and contactless payments, businesses are responding by offering their customers more digital payment options at the point-of-sale. For instance, 51 per cent of businesses in Canada accepted mobile wallet payments in 2022.²⁹⁴ For those that did, mobile wallet accounted for 47 per cent of their payments.²⁹⁵ Moreover, 63 per cent of businesses that did not currently accept mobile wallet payments in 2022 plan to do so within the next twelve months.²⁹⁶

The main reasons businesses wish to add mobile wallet payments as a payment option for their customers are that it is financially secure for businesses (22 per cent), it is more convenient (20 per cent), it reduces staff at checkout (20 per cent) and it increases customer satisfaction (20 per cent).²⁹⁷ At the same time, non-users listed the following as perceived barriers to adopting mobile wallet: the method is not offered by their payment provider (28 per cent), the equipment isn't convenient (27 per cent) and the equipment is costly (25 per cent).²⁹⁸

Another customer payment option offered by businesses that is growing in popularity is buy now, pay later. In 2022, 23 per cent of businesses offered buy now,

²⁸¹ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

²⁸² Ibid.

²⁸³ RFi Canadian Business Payments Report, 2022.

²⁸⁴ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

²⁸⁵ RFi Canadian Business Payments Report, 2022.

²⁸⁶ Ibid.

²⁸⁷ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

²⁸⁸ Ibid.

²⁸⁹ Ibid.

²⁹⁰ Ibid.

²⁹¹ Ibid.

²⁹² Ibid.

²⁹³ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

²⁹⁴ Chase. The 2023 State of Canadian Payments. For more, see: <https://www.chase.ca/en/lp/state-of-payments-2023>. Mobile wallet refers to an app that allows users to digitally store credit cards, debit cards, identification cards, gift cards and loyalty cards so they can use a mobile device to make payments rather than present a physical card. Once a customer enters their information into a mobile wallet app, they can make the following types of mobile payments when they are shopping at participating stores: contactless or tap mobile payments, online purchases, QR code mobile payments and in-app purchases.

²⁹⁵ Ibid.

²⁹⁶ Ibid.

²⁹⁷ Ibid.

²⁹⁸ Ibid.

pay later as a payment option to their customers, and this method accounted for 38 per cent of their payments.²⁹⁹ More than half (55 per cent) of businesses that weren't yet offering buy now, pay later indicated that they plan to do so within the next twelve months.³⁰⁰

The main reasons businesses wish to add buy now, pay later as a payment option for their customers are that it increases customer satisfaction (37 per cent), it increases order size (35 per cent) and it levels the competitive field (35 per cent).³⁰¹ At the same time, non-users listed the following as perceived barriers to adopting buy now, pay later: it may cause cash flow concerns (28 per cent), it comes with the risk of non-payment (26 per cent) and it lacks customer support (26 per cent).³⁰²

Lastly, some businesses have begun to accept cryptocurrency as a form of payment. One of the benefits of being paid in cryptocurrency is that the sale is final so businesses do not have to deal with chargebacks. In 2022, five per cent of businesses accepted cryptocurrency payments (for example, Bitcoin, Ethereum) in a given six-month period.³⁰³ For those that did, 44 per cent of businesses were accepting cryptocurrency payments more often since the start of the pandemic, driven by customer preference (48 per cent).³⁰⁴ Overall, 18 per cent of all businesses in Canada used cryptocurrency for sending/receiving payments, holding it as an investment asset, or both.³⁰⁵

The main reasons businesses wish to add cryptocurrency as a payment option for their customers are that it increases repeat sales (32 per cent), it increases customer satisfaction (31 per cent) and it allows a business to be better able to compete in the market (31 per cent).³⁰⁶ At the same time, non-users listed the following as perceived barriers to adopting cryptocurrency: it adds too much operational complexity (25 per cent), it comes with a lack of customer support (25 per cent) and it is irrelevant to business needs (19 per cent).³⁰⁷

²⁹⁹ Chase. The 2023 State of Canadian Payments. For more, see: <https://www.chase.ca/en/lp/state-of-payments-2023>.

³⁰⁰ Ibid.

³⁰¹ Ibid.

³⁰² Ibid.

³⁰³ Leger/Payments Canada. 2022 Business Payments Tracker Survey.

³⁰⁴ Ibid.

³⁰⁵ Ibid.

³⁰⁶ Chase. The 2023 State of Canadian Payments. For more, see: <https://www.chase.ca/en/lp/state-of-payments-2023>.

³⁰⁷ Ibid.



FIGURE 9: BUSINESS CLASSIFICATIONS IN CANADA³⁰⁸

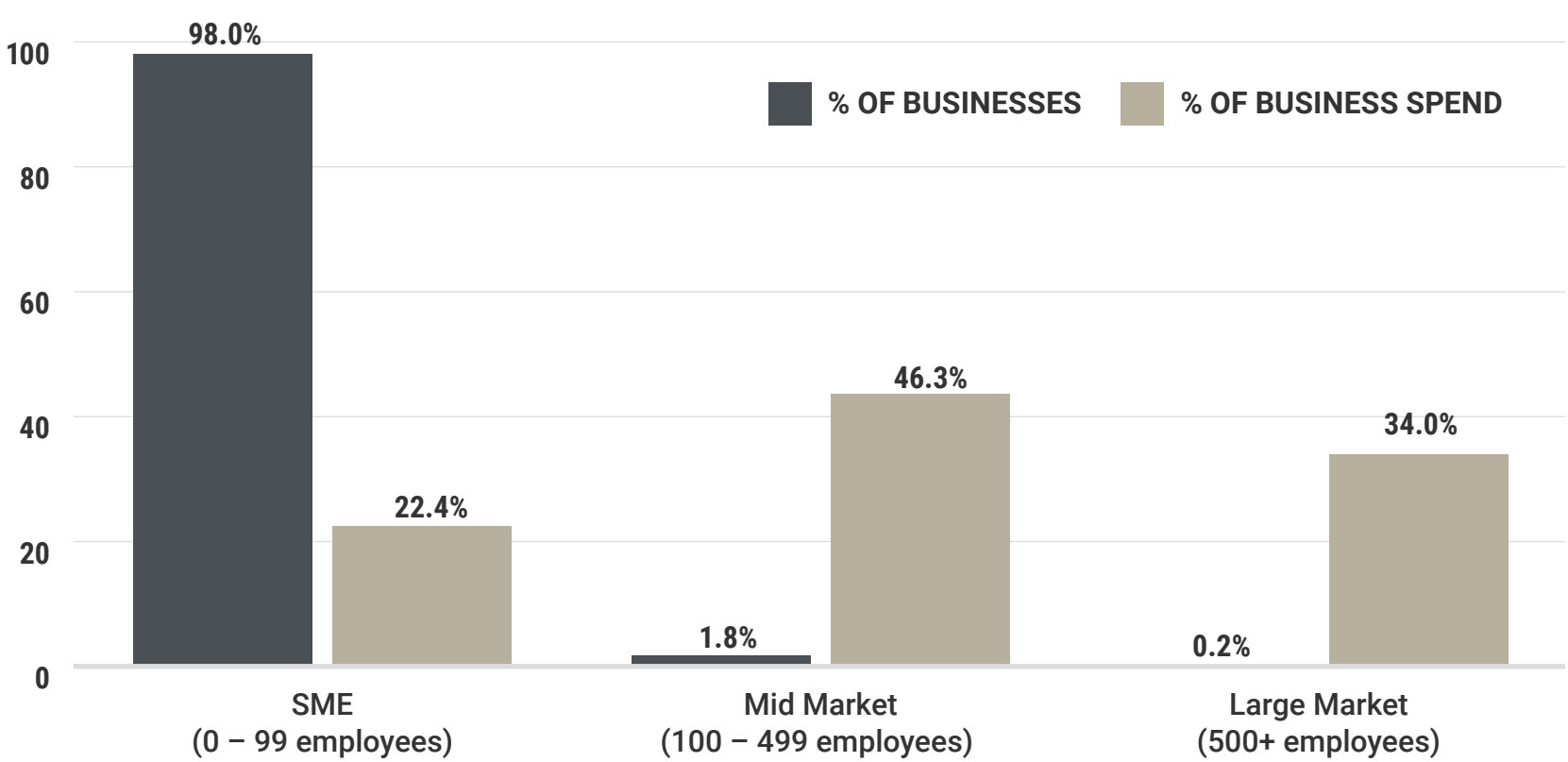
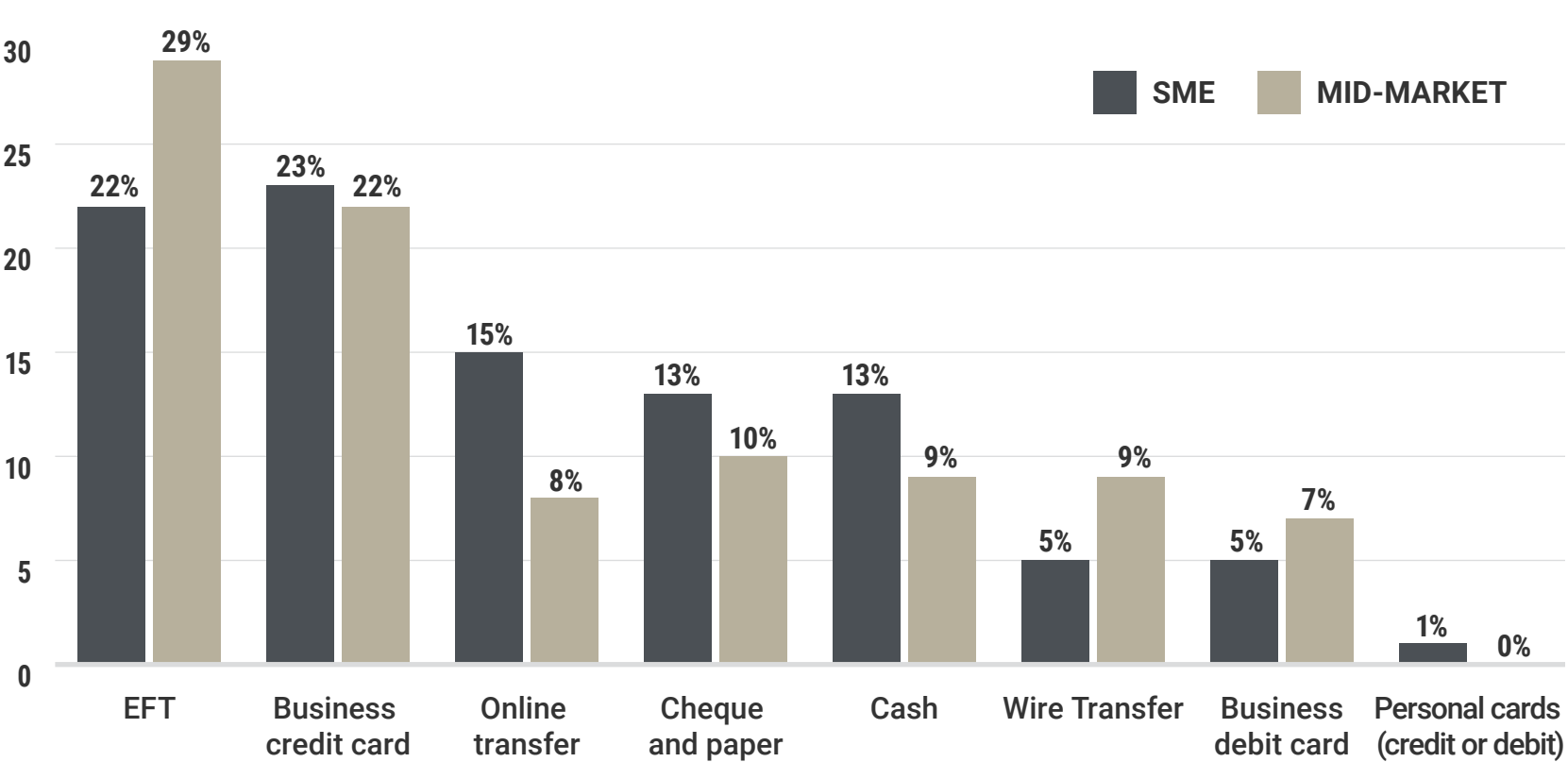






FIGURE 10: BUSINESS PAYMENT MIX³⁰⁹



³⁰⁸ Percentage of business data sourced from Statistics Canada. Canadian Business Counts, with employees, December 2022. For more, see: <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3310066101>. % of business spend data sourced from RFI Canadian Business Payments Report, 2022.

³⁰⁹ RFI Canadian Business Payments Report, 2022. Note: This chart displays business expenditure (value) by payment method. The values represent the proportion of total expenditure paid using different payment methods.

TABLE 13: MOST COMMON USE CASES FOR BUSINESS PAYMENT METHODS³¹⁰

Payment method	Small and medium enterprises	Mid-market companies
 EFT	<ul style="list-style-type: none">▶ Government payments/taxes (28%)▶ Utilities/telecommunications (21%)▶ Insurance (21%)▶ Payroll (20%)▶ Rent (14%)	<ul style="list-style-type: none">▶ Payroll (33%)▶ Government payments/taxes (24%)▶ Utilities/telecommunications (21%)▶ Insurance (20%)▶ Rent (20%)▶ Stock/raw materials (18%)
 Credit Card ³¹¹	<ul style="list-style-type: none">▶ Travel-related expenses (21%)▶ Office supplies/computer equipment (20%)▶ Fuel (20%)▶ Entertainment (19%)	<ul style="list-style-type: none">▶ Travel-related expenses (32%)▶ Fuel (30%)▶ Entertainment (27%)▶ Office supplies/computer equipment (22%)
 Online transfer	<ul style="list-style-type: none">▶ Government payments/taxes (13%)▶ Payroll (13%)▶ Professional services (13%)▶ Rent (11%)▶ Insurance (8%)▶ Utilities/telecommunications (8%)	<ul style="list-style-type: none">▶ Advertising/media (10%)▶ Payroll (9%)▶ Professional services (9%)▶ Courier/logistics (9%)▶ Utilities/telecommunications (8%)▶ Travel-related expenses (7%)
 Cheque	<ul style="list-style-type: none">▶ Government payments/taxes (16%)▶ Professional services (15%)▶ Payroll (13%)▶ Rent (13%)▶ Insurance (12%)▶ Utilities/telecommunications (10%)▶ Stock/raw materials (9%)	<ul style="list-style-type: none">▶ Government payments/taxes (19%)▶ Professional services (18%)▶ Insurance (17%)▶ Rent (17%)▶ Courier/logistics (17%)▶ Payroll (15%)▶ Utilities/telecommunications (15%)

³¹⁰ These results are based on SME and mid-market companies' responses to which method they mainly used to pay various expenses. The values represent the proportion of businesses that use the indicated payment method for a given payment situation. Numbers do not add up to 100 per cent as less used payment methods (digital remittances, virtual payments, buyer-initiated payments, remittances via counter at branch, line of credit) were excluded from this analysis.

³¹¹ Credit card refers to corporate/business credit card (excludes personal credit card).



CONCLUSION

Economic activity returned to its prepandemic level in late 2021 for the first time since the start of the pandemic in Canada. However, Canadians faced new economic headwinds in the form of historically high inflation and rising interest rates in 2022. Consumer confidence eroded and many Canadians anticipate a recession in 2023. The total payment market in Canada grew in both volume and value in 2022 but not to the same magnitude as in 2021.

Canadians and Canadian businesses conducted a total of 20.5 billion transactions worth \$11.7 trillion in 2022. Last year's CPMT report stated that the most significant impact of the pandemic on the Canadian payment industry in 2021 was the ushering in of the "new normal" which included the ongoing acceleration of digital payment usage. For 2022, this trend continued, highlighted by further usage and a wider range of options for Canadians.

As we emerge from the pandemic, more Canadians are comfortable using digital payments on an everyday basis and are embracing digital payment innovations that make their payment experiences more frictionless. The number of digital payment options for B2C, B2B and P2P payments is growing and Canadians are adopting different digital payment methods for various payment situations.

More Canadians are becoming comfortable with sending payments using wearables, social media channels, QR codes and smart devices, as well as using biometrics to authenticate store payments. Over one-third of Canadians would likely adopt emerging payment innovations such as invisible payments and scan, pay and go

when shopping at a store, or one-click pay when shopping online.³¹² A significantly higher proportion of older Canadians are also now using digital payments compared to 2020. This includes using contactless cards and mobile wallets to make a purchase and having their payment details stored on a website or in a payment app.³¹³

Overall, payment trends remained unchanged in 2022 compared to the past five-year period. From a payment volume perspective, credit and debit cards continued to dominate the number of transactions and usage grew. Cash payments slightly increased by two per cent in volume from 2021 and sat in fourth place overall in terms of payment transaction volume.³¹⁴ Many Canadians switched over to using contactless and digital payments during the first year of the pandemic and have not gone back. The volume of online purchases among Canadians also grew by six per cent compared to 2021 and the number of cash transactions at the point-of-sale declined.³¹⁵

From a payment value perspective, EFT and cheques continued to dominate the share of transaction value combining to represent 87 per cent of total value.³¹⁶ EFT value grew by 11 per cent year-over-year in 2022, much lower than the 21 per cent year-over-year growth in 2021. This drop was due to a decrease in the value of government direct deposit payments caused by the termination of federal COVID-19 emergency benefits.³¹⁷

Although online transfers still accounted for a small fraction of total payment volume, they continued to demonstrate impressive growth. Over the past five years, online transfers have grown in volume by 328 per cent and are poised to overtake cash.³¹⁸ Online transfer usage surpassed personal EFT usage on a volume basis for the first time in 2022.³¹⁹ This increase is largely driven by

the continued growth in *Interac* e-Transfer payments (up 11 per cent in volume from last year).³²⁰

In spite of the gradual return to in-store shopping, e-commerce continued to be an appealing option for consumers. E-commerce sales accounted for 6.5 per cent of retail sales in 2022, up from a share of 6.2 per cent in 2021.³²¹ This result suggests some Canadians continued using, and preferred, e-commerce for their purchases, even after public health measures were lifted and stores reopened.

Canada's economic recovery from the pandemic is underway as personal and business spending continued to increase in 2022 from the previous year. The impact of the pandemic on Canadians' payment behaviour, such as avoiding handling cash or touching card readers at the point-of-sale, also diminished compared to when the pandemic started. The high inflation and interest rate environment that Canadians currently face have dampened the pace of this recovery.

The volume and value of cash payments increased in 2022. ABM withdrawals also increased in 2022 relative to 2021 values indicating that, although cash payments are expected to continue to decline over the longer term, the end of cash use is still far off. Some Canadians still rely heavily on it as a store of value and for making payments, particularly the elderly, the unbanked and those who use cash for small payments. Cash remains the default payment option when there is a crisis that impacts digital payment options.

Looking towards the future, the Canadian payments market will benefit from continued growth, competition and innovation that is being supported by data-rich payments, open banking and real time payments.

³¹² Leger/Payments Canada. 2022 Consumer Payments Tracker Survey.

³¹³ Ibid.

³¹⁴ ACSS 2022 Transaction Data

³¹⁵ TSI. 2022 Canadian Payments Forecast.

³¹⁶ ACSS 2022 Transaction Data.

³¹⁷ For more, see: <https://www.canada.ca/en/revenue-agency/services/benefits.html>.

³¹⁸ ACSS 2022 Transaction Data.

³¹⁹ Ibid.

³²⁰ Data from Interac. Figure is based on *Interac* e-Transfer transaction data from January 1, 2022 – Dec. 31, 2022.

³²¹ Statistics Canada. Retail trade, December 2022. For more, see: <https://www150.statcan.gc.ca/n1/daily-quotidien/230221/dq230221b-eng.htm>.



APPENDIX I: DETAILED PAYMENT SEGMENT CHARTS

FIGURE A1: TOTAL ANNUAL CPMT TRANSACTIONS (VOLUME AND VALUE)

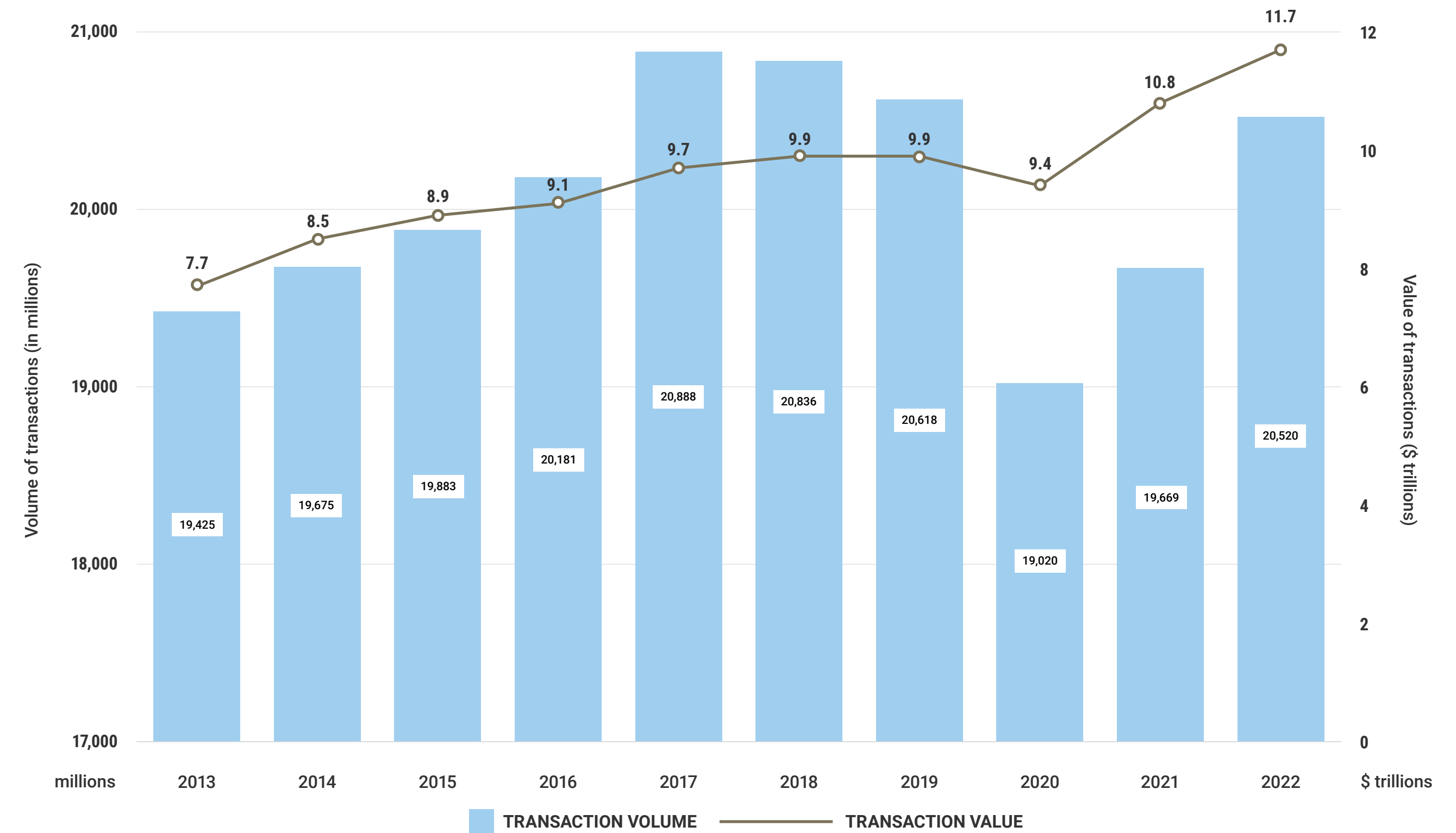


FIGURE A2: ALL PAYMENT METHODS ANNUAL TOTALS

Volume (in millions of transactions)

Payment method	2012	2017	2021	2022
Cheque and paper	1,009	734	404	405
Debit card	4,363	5,794	5,964	6,315
ABM	695	532	391	388
Prepaid card	158	278	294	330
EFT	2,219	2,742	3,081	3,101
Credit card	3,762	5,499	6,572	6,787
Online transfer	41	261	1,007	1,118
Cash	7,177	5,048	2,038	2,077
Totals	19,424	20,887	19,750	20,521

Value (in millions of dollars)

Payment method	2012	2017	2021	2022
Cheque and paper	3,592,722	4,030,697	3,281,753	3,212,624
Debit card	192,125	246,499	272,819	295,013
ABM	80,758	70,001	55,152	85,044
Prepaid card	10,798	16,495	17,633	21,510
EFT	3,049,737	4,583,973	6,225,588	6,931,749
Credit card	422,339	517,536	591,301	673,816
Online transfer	14,295	93,513	324,790	387,255
Cash	122,913	101,811	58,415	60,122
Totals	7,485,686	9,660,526	10,827,451	11,667,133

FIGURE A3: AVERAGE TRANSACTION SIZE

Payment method	2017	2021	2022	% Change (YOY)
Cheque and paper	\$5,491	\$8,123	\$8,880	9%
Debit card	\$43	\$46	\$47	2%
ABM	\$132	\$140	\$219	56%
Prepaid card	\$59	\$63	\$65	4%
EFT	\$1,672	\$2,021	\$2,235	11%
Credit card	\$96	\$98	\$99	2%
Online transfer	\$358	\$323	\$346	7%
Cash	\$20	\$29	\$29	1%
Average payment size	\$463.50	\$552.69	\$587.17	6%

FIGURE A4: ALL PAYMENT METHODS AVERAGE ANNUAL GROWTH VOLUME (ONE-, FIVE- AND 10-YEAR CAGR, BASE YEAR = 2022)

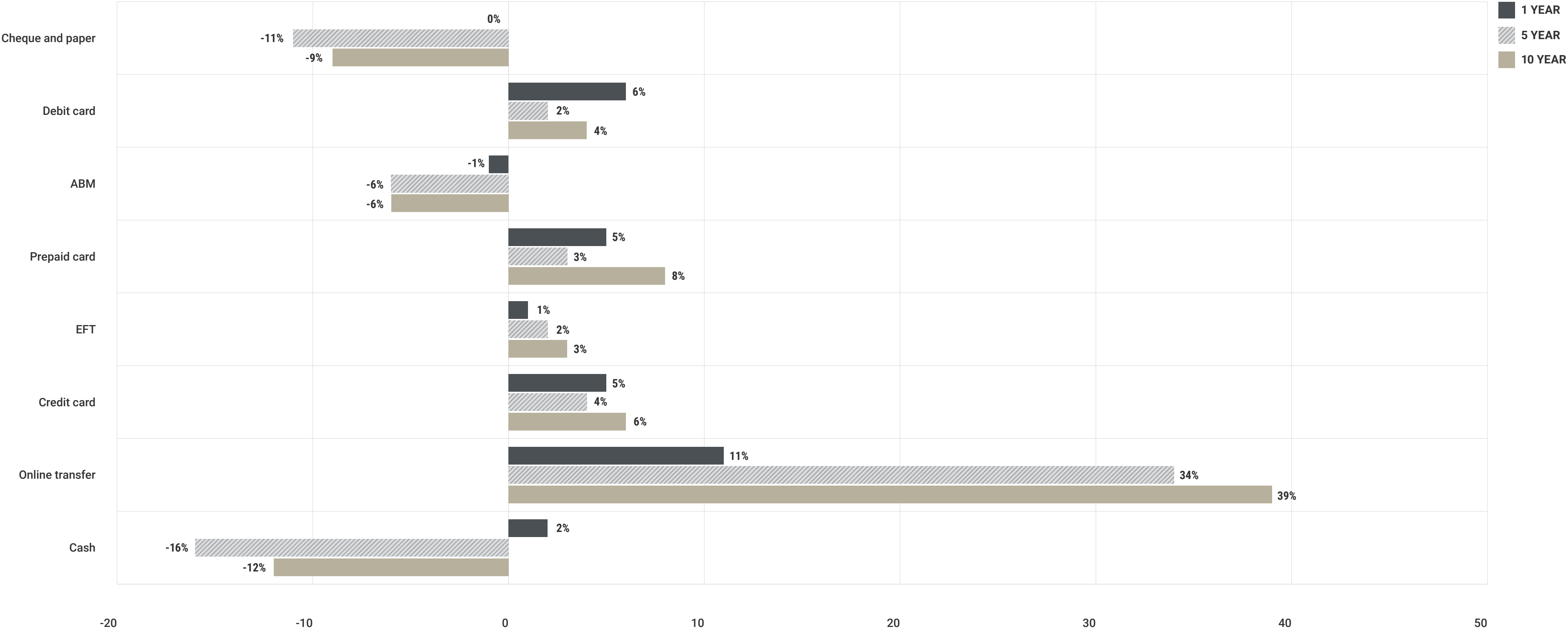


FIGURE A5: ALL PAYMENT METHODS AVERAGE ANNUAL GROWTH VALUE (ONE-, FIVE- AND 10-YEAR CAGR, BASE YEAR = 2022)

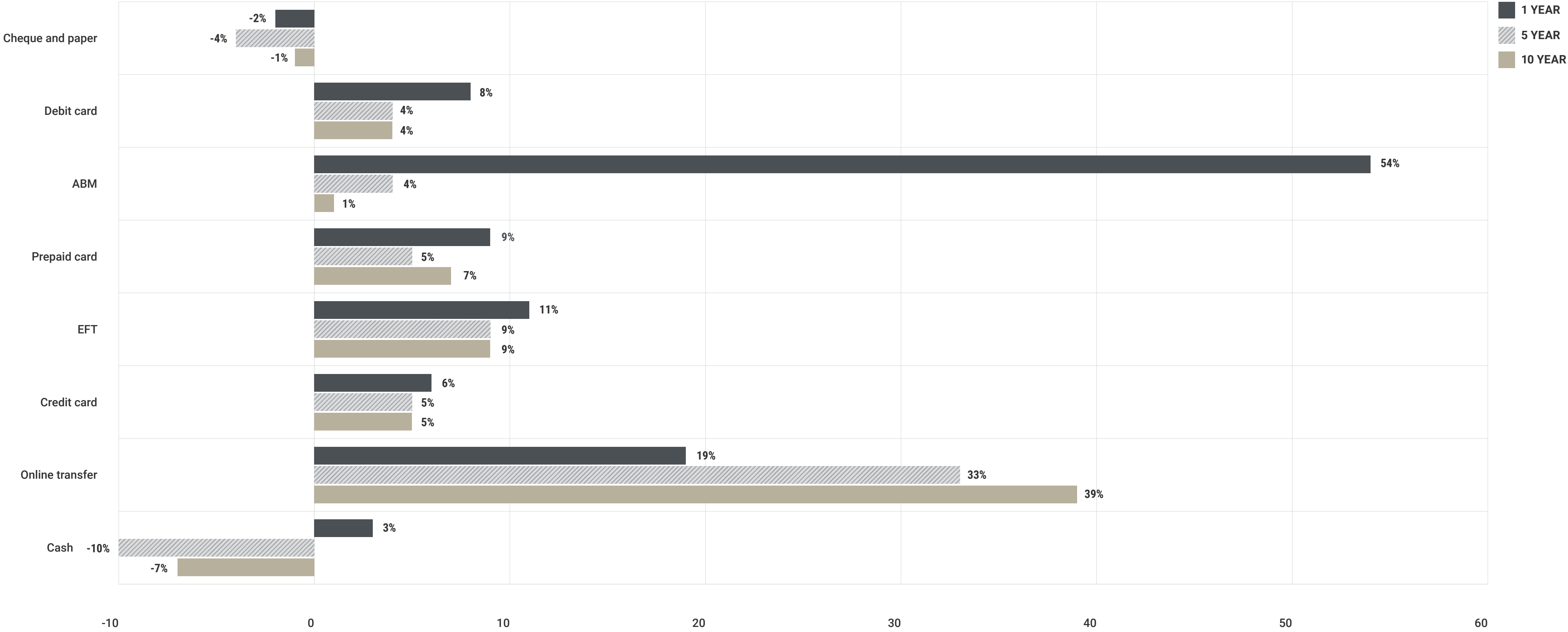
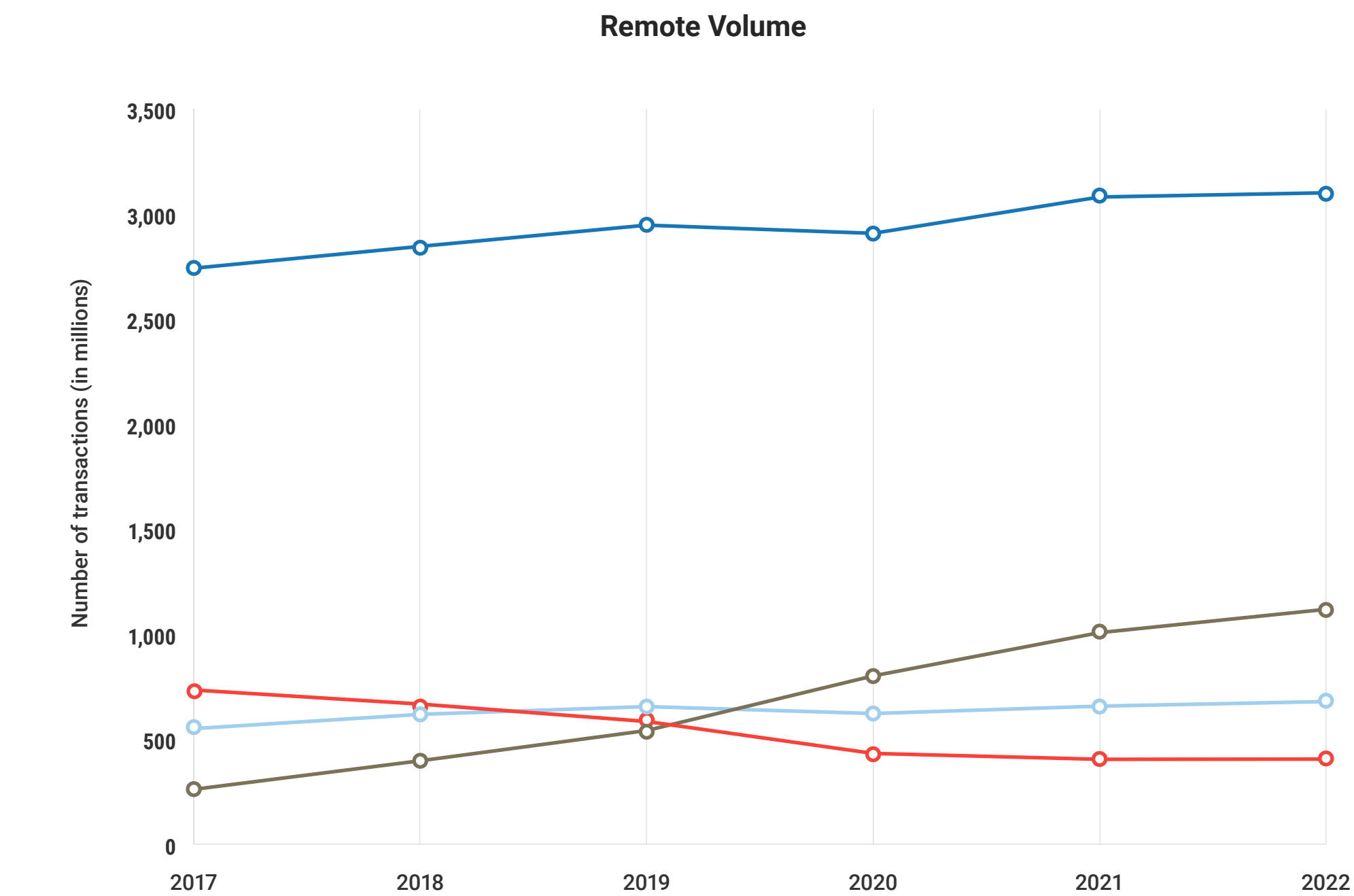
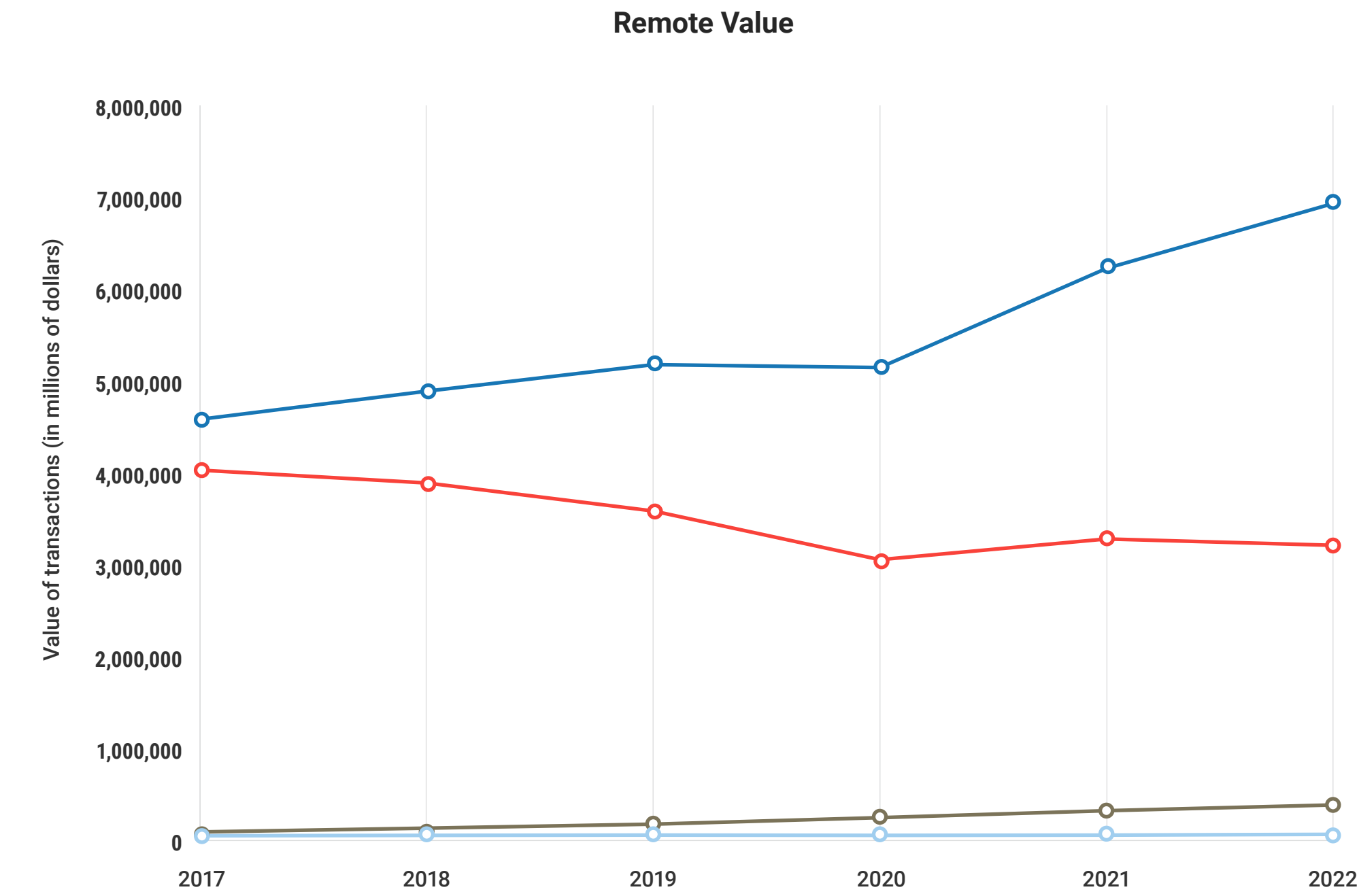


FIGURE A6: REMOTE PAYMENT METHODS VOLUME AND VALUE (FIVE-YEAR TRENDLINE)³²²



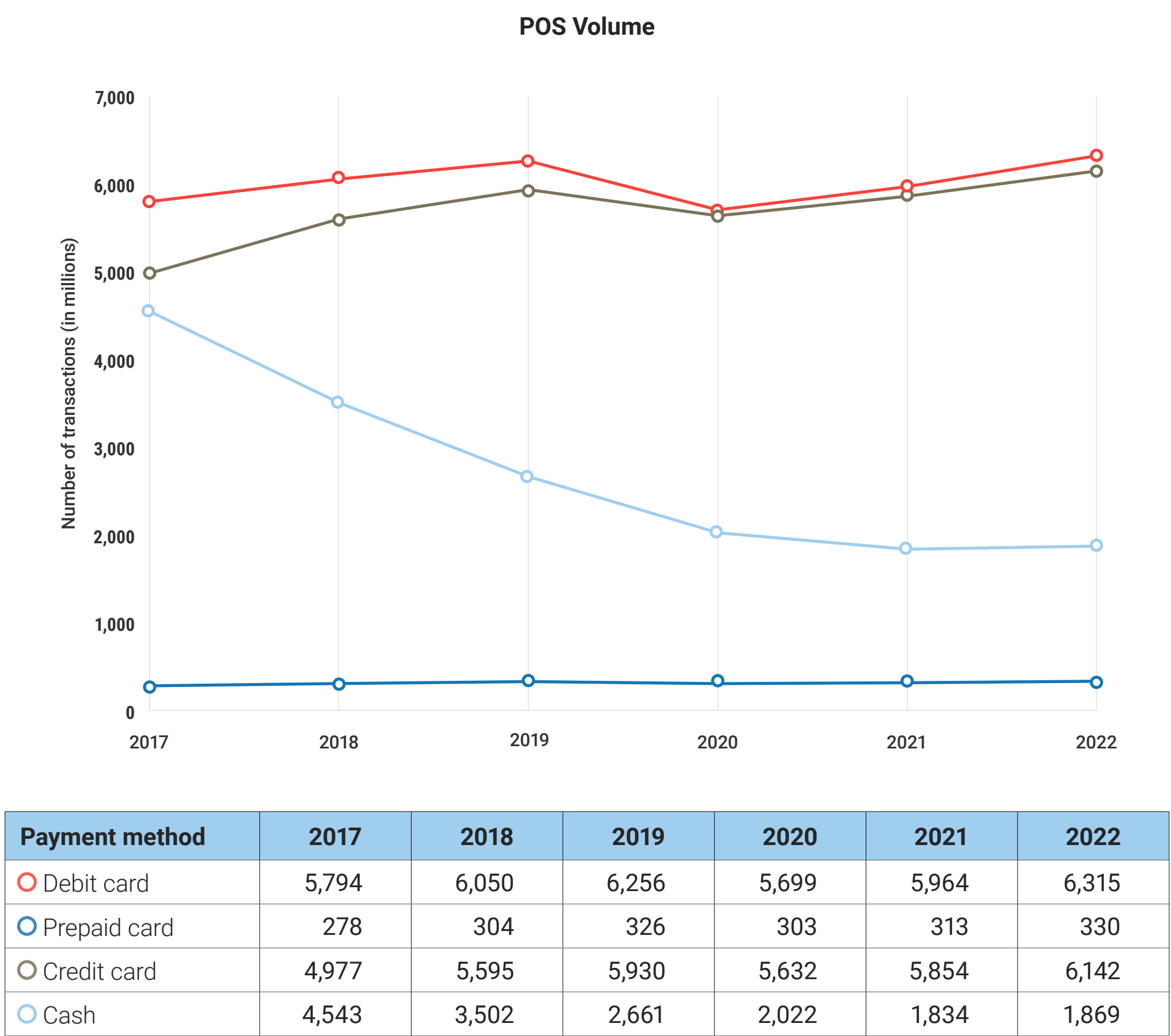
Payment method	2017	2018	2019	2020	2021	2022
Cheque and paper	734	667	584	432	404	405
EFT	2,742	2,846	2,947	2,908	3,081	3,101
Online transfer	261	397	541	801	1,007	1,118
Remote credit card	550	618	655	622	647	679



Payment method	2017	2018	2019	2020	2021	2022
Cheque and paper	4,030,697	3,891,136	3,586,221	3,056,371	3,281,753	3,212,624
EFT	4,583,973	4,889,627	5,178,683	5,147,089	6,225,588	6,931,749
Online transfer	93,513	134,770	178,225	249,123	324,790	387,255
Remote credit card	51,754	56,430	59,670	56,421	63,275	67,382

³²² Remote transactions include all transactions that are not made at physical payee locations, virtual payee provided apps or store fronts. Note: Remote credit card transactions involve the use of financial institutions or payment service providers as intermediaries that move funds to intended payees through their services (i.e., for bill payments).

FIGURE A7: POINT-OF-SALE PAYMENT METHODS VOLUME AND VALUE (FIVE-YEAR TRENDLINE)³²³



³²³ Point-of-sale or point-of-service transactions include both physical and virtual merchant locations, including online and in-app purchases. With remote estimates for credit card and cash removed.

FIGURE A8: REMOTE PAYMENT METHODS VOLUME AND VALUE (YEAR-OVER-YEAR)

Volume (in millions)

Payment method	2021	2022	YOY Change
Cheque and paper	404	405	0%
EFT	3,081	3,101	1%
Remote credit card	647	679	5%
Online transfer	1,007	1,118	11%
Totals	5,139	5,303	3%

Value (in millions of dollars)

Payment method	2021	2022	YOY Change
Cheque and paper	3,281,753	3,212,624	-2%
EFT	6,225,588	6,931,749	11%
Remote credit card	63,275	67,382	6%
Online transfer	324,790	387,255	19%
Totals	9,895,406	10,599,010	7%

FIGURE A9: POINT-OF-SALE PAYMENT METHODS VOLUME AND VALUE (YEAR-OVER-YEAR)

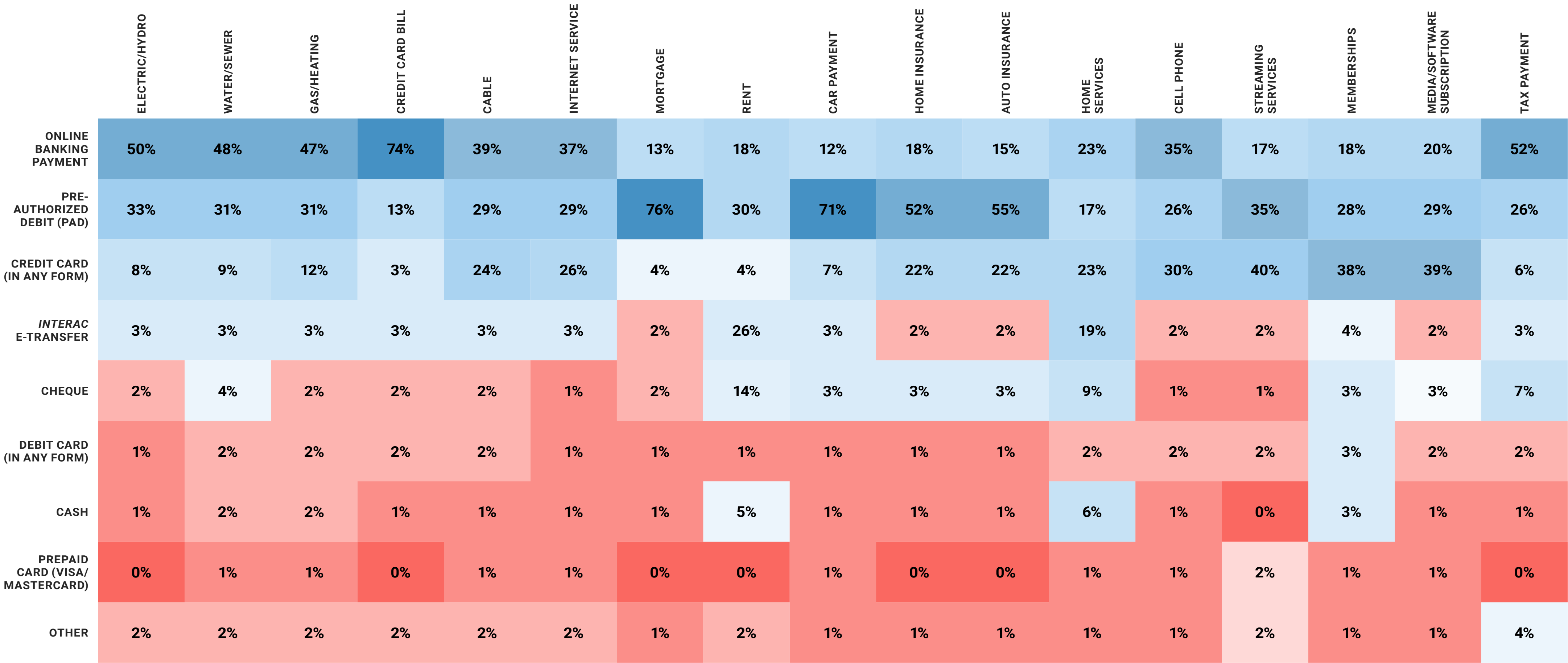
Volume (in millions)

Payment method	2021	2022	YOY Change
Debit card	5,964	6,315	6%
Prepaid card	313	330	5%
Credit card	5,854	6,142	5%
Cash	1,834	1,869	2%
Totals	13,965	14,656	5%

Value (in millions of dollars)

Payment method	2021	2022	YOY Change
Debit card	272,819	295,013	8%
Prepaid card	19,670	21,510	9%
Credit card	572,641	609,803	6%
Cash	52,574	54,110	3%
Totals	917,704	980,436	7%

FIGURE A10: BILL PAYMENTS HEAT MAP³²⁴



³²⁴ Totals for this figure do not add to 100% due to rounding. Note: Red = low incidence rate of Canadians using the indicated payment method for paying a given expense or bill (the darker the shade of red, the lower the incidence rate). Blue = high incidence rate of Canadians using the indicated payment method for paying a given expense or bill (the darker the shade of blue, the higher the incidence rate).

APPENDIX II: METHODOLOGY, DEFINITIONS AND SEGMENT DESCRIPTIONS

Methodology

The data presented is a combination of Payments Canada systems data, payment service providers and scheme operator data, and estimates based on market research and in consultation with industry experts.

Payment service providers contributed either by sharing their internal research and data or by providing expertise that enhanced the data set's accuracy. As was assured during the data collection, Payments Canada has made every effort to keep participant data non-discernable, where asked to do so.

This paper leverages the full data set gathered from past efforts and contains appropriate updates in methodology, data and findings. As such, this paper represents a full update of the previously published data points (including those provided in past papers) and should be viewed as essentially replacing the previous data sets.

Survey market research details and methodology

1. The Bank of Canada Methods-of-Payment surveys

The Bank of Canada surveys Canadians to get a better understanding of how they pay for goods and services. The Bank has conducted six Methods-of-Payment surveys—in 2009, 2013, 2017, 2020, 2021 and 2022. These surveys include a questionnaire and a diary where survey participants record their payments and cash withdrawals over the course of three days. The average volume and value of cash transactions per person per day is a key metric from these surveys used to calculate the total cash transaction volume and value estimates.

2. RFi Group business surveys

The RFi Group conducts separate surveys on commercial enterprises and small to medium sized enterprises (SME). The commercial survey was in field in May and November 2022 with a total of 350 businesses interviewed online. Basic quotas were applied to the sample to ensure that the data was representative of the Canadian commercial population. All respondents had decision-making powers within commercial businesses operating in Canada with global annual revenue of \$10 million to \$500 million. RFi Group's SME survey was in field in May and November 2022 with a total of 500 businesses interviewed online. Basic quotas were applied to the sample to ensure that the data was representative of the Canadian SME market. All respondents had decision-making powers within SMEs operating in Canada with global annual revenue of less than \$10 million.

3. TSI Consumer Survey

Technology Strategies International Inc. (TSI) provides in-depth assessments of consumer payments in Canada, drawing upon a wide range of information resources, including desk research, executive interviews and discussions, and consumer research

and analysis—compiled into an annual report. In 2022, the TSI Canadian Consumer Payments Survey (CCPS) data was also analyzed for additional insights. The 2022 CCPS included a sample size of 2,000+ Canadians.

4. Payments Canada/Leger Consumer and Business Surveys

Leger is a full-service market research consultancy experienced at providing both quantitative and qualitative research. Leger is a pioneer and leader in web-based research. They have their own proprietary online panel of over 475,000 Canadians. In 2018, Leger acquired an additional panel, which includes an additional one million millennials. As of 2019, Leger provides Payments Canada with a customized consumer payment survey focused on Canadians' usage of different payment methods in both the point-of-sale and remote transaction environment. Leger also provides Payments Canada with a customized consumer and business payment survey focused on Canadian usage of different payment methods and their sentiment towards payment methods. In this report, we included a sample size of 4,500 Canadians and 1,500 businesses across the surveys. The surveys were in field during March/April, July/August, and September/October in 2022.

5. Euromonitor Financial Cards and Payments in Canada

Euromonitor offers an in-depth analysis of financial card usage in Canada, drawing on figures from a multitude of sources, including the Canadian Department of Finance, Statistics Canada and National Bank of Canada in order to provide a comprehensive look at card market growth. Euromonitor's analysis provides a qualitative and quantitative look at growth within card providers, the impact of supply and demand trends and forecasts for future card growth in Canada.

Definitions and segment descriptions

ABM payments

ABM data is derived from data found in published proprietary reports and validated with published payment networks.

ACSS

The **Automated Clearing Settlement System (ACSS)** is Canada’s retail batch payment system, a designated Prominent Payment System that clears the vast majority of payments in Canada.

Automated Fund Transfer (AFT)

AFT consists of AFT credit and debit payment instruments. AFT credit instruments allow payors to instruct their financial institution to deposit funds into a payee’s deposit account at another financial institution. They are used by consumers and businesses typically for payroll purposes and other disbursements. AFT debit transactions are commonly known as pre-authorized debits (or “PADs”). AFT PADs are based on contractual agreements between payors and payees, allowing payees to instruct their financial institution to retrieve funds from a payor’s deposit account at another financial institution, though the two institutions are not aware of the agreement between the parties.

Business-to-business (B2B)

B2B payments are transactions made between two companies for goods or services.

Business-to-consumer (B2C)

B2C payments are transactions made by a business to a consumer, which could either be an individual or small business.

Buy now, pay later (BNPL)

BNPL is a form of short-term loan in which consumers take immediate possession of their purchases and pay for them at a later date through a series of payment installments. These payments are structured in such a way that the payment amounts are equal and the payment due dates follow a pre-set schedule, with the first payment due at checkout.

Compound annual growth rate (CAGR)

CAGR calculates the annual average growth over multiple years, while considering the effects of average compounding growth experienced in each year.

Cash

Total cash was estimated based upon data from Bank of Canada survey research.³²⁵ Estimates from the data establish the mean number of cash transactions per Canadian per day was 0.18 and the mean cash expenditure per transaction was \$5.21 in 2022. We used

these numbers to extrapolate to the larger Canadian population to formulate cash payment estimates.

Commercial EFT

Commercial EFT (electronic funds transfer) refers to business/government use of AFT credits/debits, electronic remittances and EDI transactions (i.e., businesses’ payroll to employees through EFT).

Commercial payments

Commercial payments include transactions that originate from Canadian organizations, businesses, and governments.

Consumer payments

Consumer payments are transactions that originate from Canadian households and individuals for paying bills, managing accounts at financial institutions and payments for goods and services.

Credit card

Credit card data is a combination of consumer and business credit and charge card payments found in proprietary published reports.³²⁶ Charge cards differ from credit cards primarily in their application of interest. Credit cards charge interest at an annual percentage rate. Charge cards apply full interest charges after a defined period (typically 21 days) so users are more inclined to pay off balances each month.

Debit payments

Debit payments include Payments Canada point-of-sale debit and online debit transaction data, *Interac* Debit card data and data provided by participants.

Digital currency

Digital currency refers to a wide range of electronic money. This can include currencies like Bitcoin (and other cryptocurrencies), stablecoins or central bank digital currencies (CBDCs). Most digital currencies operate via Blockchain, meaning there is not a single entity controlling the network but rather, a decentralized peer-to-peer (P2P) network where the “peers” are those making digital currency transactions within the network.

Electronic funds transfer (EFT)

EFT was calculated using a combination of AFT (debits and credits), electronic remittances and electronic data interchange (EDI) transactions.

Gig economy

A growing share of Canada’s workforce consists of “gig workers.” These are workers who enter into short-term contracts with firms or individuals to complete specific and often one-off tasks. The term “gig work” includes traditional independent contractors (such as consultants) and other freelancers (such as those who work with online platforms like Uber).³²⁷

³²⁵ 2022 Methods of Payment Survey Results, Bank of Canada, December 2022.

³²⁶ Euromonitor International, Passport (2022): Financial Cards and Payments in Canada 2022 Edition.

³²⁷ Definition from the Government of Canada.

ISO 20022

ISO 20022 is an international financial messaging standard designed to simplify global business communication. The standard enables efficient payment clearing and settlement among financial institutions globally through the use of a common set of messages and language. It is an open standard developed by ISO (International Organization for Standardization).

Lynx

Lynx is Canada’s high-value payment system, an electronic wire system used by participating financial institutions (FIs) to safely send wire payments on behalf of their customers in Canadian dollars. Based on the real-time gross settlement (RTGS) model, wire payments cleared and settled using Lynx are fast, irrevocable and made with real-time settlement finality. Lynx is also built to support the ISO 20022 financial messaging standard, allowing rich remittance data such as invoice details or purchase information to travel with each payment.

Online transfer

Online transfers include online e-wallet and electronic person-to-person (P2P) transactions initiated through online services and providers that are prepaid or linked to deposit accounts at financial institutions (e.g., PayPal). This includes data and estimates for online and mobile environments used to make remote electronic person-to-person payments and payments to merchants, excluding transactions based on credit and debit cards, which are counted in the credit card and debit card categories.

On-us

On-us refers to transactions drawing upon direct deposit accounts (e.g., bank chequing accounts or business accounts) where both the payor and payee reside at the same financial institution. A variety of payment types, normally associated with Payments Canada cleared payments, are impacted by on-us items, including cheques, debit and EFT. On-us payments do not result in a Payments Canada clearing entry (and do not appear in Payments Canada system data). On-us payment data must be determined from sources other than Payments Canada. On-us amounts were derived from participant data and estimates. The analysis determined on-us payments to amount to approximately 20 per cent more transactions than can be found in Payments Canada data. On-us amounts differ by payment type, such as cheques (~25 per cent), debit (~13.7 per cent), EFT (~19 per cent), etc.

Open banking

Open banking refers to policy and technology frameworks that allow consumers to use, move and share their financial transaction data held at financial institutions with trusted third-party service providers (TPPs) to receive a wider range of useful financial services.

Paper/cheques

Paper/cheque data is based on Payments Canada ACSS data for cheque and paper items, including paper remittances.

Peer-to-peer (P2P)

P2P payments are transactions between two parties with separate bank accounts through an intermediary.

Personal EFT

Personal EFT (electronic funds transfer) refers to consumer use of AFT credits/debits and electronic remittances (i.e., consumers paying bills through pre-authorized debits).

Prepaid card

Credit card company and store-branded prepaid product data (both open- and closed-loop) is based on proprietary publication data. We also include virtual prepaid products that may be purchased through mobile device application stores, such as Apple and Android.

Quick response code (QR code)

QR code payment is a contactless payment method where payment is performed by scanning a retailer’s QR code from a mobile app on a smartphone. The payor opens a QR scanning app and scans the code displayed at the store checkout, the website or paper bill and confirms the price, if required, before finalizing the payment.

Real-Time Rail (RTR)

A new national real-time payment system which consists of technology for the exchange and clearing and settlement of real-time payments

and the associated legal framework of by-laws, rules and standards. This new system, which is a fundamental component of Canada’s broader payment modernization journey, will enable Canadians to initiate payments and receive irrevocable funds in seconds, anytime of day or night, 365 days per year.

Settlement and exchange transactions (SET)

Intra-day exchanges of fund transactions that deal with the dislocation of settlement funds between the ACSS and Lynx. These transactions are generally done through cheques and account for a significant amount of cheque value in the ACSS.

Unbanked

Unbanked refers to those who do not have any financial products (i.e., chequing or savings accounts, debit cards or credit cards) associated with a traditional financial institution.

Underbanked

Underbanked refers to those with limited engagement with established financial institutions (i.e., having a chequing or savings account only, or having a chequing or savings account along with either a credit card or debit card, but not both).



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