Centre for International Governance Innovation

Bennett Jones

Conference Report — Virtual Workshop, March 7, 2023

Digitalization of Payments and Currency

Key Takeaways from a Third Virtual Workshop with Canadian and International Experts on the Digitalization of Money

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À propos de Bennett Jones

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Introduction

On March 7, 2023, the Centre for International Governance Innovation (CIGI) and Bennett Jones LLP hosted a virtual workshop with international and Canadian experts, from the public and private sectors as well as from academia, on international developments and the work required for Canada to keep pace with developments in the digitalization of payments and currency.

The discussion built on CIGI and Bennett Jones's previous work (Fay et al. 2021; 2022) convening experts to discuss the potential benefits and drawbacks of emerging central bank digital currencies (CBDCs) and the steps Canada would need to take if it chose to introduce such a payment instrument. Broadening the conversation beyond CBDCs, the workshop was organized around four topics at the centre of payments digitalization: payments system modernization, open banking, stablecoins and CBDCs. Using the experience of leading international peers as a springboard, discussion focused on the opportunities and barriers facing Canada as we look toward the future of the economic, technical and regulatory systems that underpin the foundation of the Canadian economy.

This conference report shares key takeaways from the workshop, which was held under the CIGI Rule.[1] It does not purport to represent a consensus among the participants, nor to convey the views of any individual or organization. Its goal is to communicate the lessons that Canada can take away from international partners on aspects of the digitalization of our economy's payments and monetary policy frameworks, and to demonstrate how those lessons might apply in our domestic context.

Box 1 summarizes key messages emerging from the discussion across each of these important topics.

1 See www.cigionline.org/about/cigi-rule/.

Balancing Opportunity Creation and Risk Prevention in Canada's Payments System

A core message leading the discussion was that the payments system (that is, how Canadians buy the necessities for daily life, operate their own businesses and send money to loved ones) is the foundation not only of our economy but also of our society and democracy. Trust in that system (that money will reach its destination quickly and securely, that Canadians can dependably access and put to work their hard-earned savings, that their data is shared in a trusted way) is the bedrock on which all other economic activity takes place, allowing Canadians to move seamlessly through their days.

That trust is earned not just by the reliability and stability of the payments system but by the common understanding and acceptance that Canadians deserve a modern and efficient payments system, enjoying the benefits that competition and innovation offer. This is increasingly clear as the economy around us continues to progress into the digital age and future economic shifts begin to materialize.

Too often in Canada, the approach to the evolution of our payments system has been one that focuses on risk prevention to the detriment of the creation of new economic opportunities and has been hampered by the use of siloed efforts across policy frameworks and institutions rather than a holistic approach. Instead of viewing the system as a platform for success, Canada's payments system has more often presented a slow, inflexible barrier to opportunity for new entrants, and a gate to be kept in the interest of incumbents rather than innovators. Canada's banks are world leaders in some respects, but they are not sources of technological innovation, and are constrained both by their incentives to preserve profits and by the legacy information systems that have supported their operation for decades. To realize the benefits of an innovative and efficient payments system, Canada must allow

Box 1: Key Messages Emerging from the Workshop

Canada has before it a tremendous opportunity to build a modern payments system that addresses the challenges we see in our existing system, delivers security and value to Canadians for years to come, and has the adaptability to weather future economic shifts. Seizing that opportunity, however, will require an approach that cuts across regulatory silos and incumbent interests entrenched in our evolving economy and takes a longer-term vision.

- Canada lacks a comprehensive policy vision for the future of its payments system, despite a thorough federal study of the potential future of Canada's payments system released more than a decade ago. Although Budget 2022 announced consultations on the digitalization of money over a five-year window, there is little sense that this is a priority for the federal government. Yet Canada's apparent complacency in bringing key elements of its financial system into the digital age relative to global peers benefits incumbent interests and represents a hidden and substantial cost to its economy.
- Although financial stability must remain a paramount concern for payments and the broader financial system, governments, central banks and regulators need to create a system that strongly supports opportunity creation in the public interest. In charting a new course for its payments system, however, Canada must contend with the interests of the incumbents that dominate the current state and have an interest in delaying and shaping the future to their advantage.
- At the same time, there is a need for a governance framework that can adapt to the ongoing technical evolution in the space rather than a one-shot approach that aims no further than to address the challenges seen today. Concerns were raised about the lack of an appropriate governing body in Canada equipped to implement such a framework, and jurisdictions leading the pack were identified as those who not only had tasked bodies with moving their open finance agendas forward, but also had incentivized stakeholders outside government to contribute to that agenda.
- Public and private sector innovation in jurisdictions such as Brazil and Europe have brought down the cost of digital payments for businesses by an order of magnitude, but in Canada the scope of benefits of a modern payments system has not been made apparent to consumers and businesses.
- Thinking beyond the financial sector, allowing consumers to realize the potential value of their own data requires a suitable policy infrastructure that includes digital identifiers and consumer data rights, as well as investments in cybersecurity and network resilience.

The ongoing modernization of Canada's payments infrastructure provides an opportunity to broaden the range of actors innovating in the financial space, and Canada has much to learn from peers on how to maximize this potential.

- Regulators must keep in mind the different roles that financial and technology firms play in driving innovation in the payments space, with the latter generating many of the innovative offerings adopted by financial institutions.
- International examples such as the Central Bank of Brazil's (Banco Central do Brasil's [BCB's]) Pix system demonstrate that with the proper legal framework, central banks can fulfill the role of designer and regulator while introducing competition and innovation into the payments system upon which the private sector can innovate.
- As Canada continues its work to implement the delayed Real-Time Rail payments system, it must also look 10 years down the road to what the future of the payments system should look like, not just focus on what is viewed as the current finish line.

As Canada progresses toward implementing its own open banking

regime, lessons from other jurisdictions show the value of a broader vision for Canadians' control of their data.

- By taking a view of consumer data rights that looks beyond banking and the financial sector and keeps the potential for improving competition at the fore, international players such as Australia have been able to unlock value and innovation for consumers in a range of sectors as well as encourage the private sector to participate.
- Although international examples are useful to inform Canada's approach to open banking, the design of open banking should be at least equally informed by the potential value proposition to the Canadian economy.
- A customer focus is essential in order to have broad uptake of open banking, but government must also address the question of governance, particularly when considering the institution or institutions that will ultimately determine the scope and content of the open banking regime.

After a whirlwind year in the stablecoin space, important questions remain about whether regulation can unlock underlying value for the financial system.

- Use cases for stablecoins outside the crypto space are far from proven, and initial activity on the part of international regulators has cooled in light of the ongoing investigations and litigation against major private sector players.
- Multiple paths forward for regulation of stablecoins exist, but absent leadership from national players, subnational regulators are moving to create a patchwork of responses, raising the potential for regulatory arbitrage.
- A promising potential path in Canada to address prudential risks associated with stablecoins could be an instrument-neutral "same risk, same activity, same regulation" framework that builds off Canada's strong existing regulation of deposit-taking institutions to address prudential risks associated with stablecoins.
- Although whether stablecoins should be considered securities or payment instruments remains contested, the definition adopted by regulators could open or foreclose opportunities to shape the space toward more socially beneficial outcomes.

The Bank of Canada (BoC) has progressed its work on CBDCs, with resources moving beyond research and toward development:

- Peer jurisdictions continue to progress in the research, development and testing of CBDCs, with smaller jurisdictions leading the way and larger jurisdictions increasingly moving into pilot phases.
- Although no decision has been made toward implementing a CBDC, the BoC appears to be shifting resources from more theoretical research of potential CBDC futures toward the development that would be required to make that a reality.
- Core to the successful implementation of a CBDC must be the everyday use of the digital currency by Canadians — something that will require leadership rather than consensus to define and realize.

Change in Canada's financial system will require leadership to implement a vision that serves Canadians more than incumbents.

- Bringing together the topics of discussion, despite setbacks to date, Canada has a real opportunity to forge its own path toward the goal of a secure, fast and efficient financial system through various policy levers.
- In order to anticipate the potential responses of incumbents to policy action, regulators must have a deep understanding of the business models that support these incumbents and their consequences for Canadians.
- Echoing the findings of previous studies and reports, governance and leadership are necessary components of successful reform and transformation of the financial system and to move Canada from its current lagging status.

a broader set of actors to participate, not just those with the blessing of entrenched incumbents.

Relative to international peers, Canada's approach has been one of complacency, allowing others to move forward years before we even consider changes to our own system. Although the costs of this complacent approach may be individually minute, the volume of activity flowing through Canada's payments system means the sum of those costs can be staggering, with basis points becoming billions annually. Just one example of the cost of Canada's risk-averse approach to payments is the sixfold difference in interchange fees (charged by financial institutions to consumers and businesses to process transactions) between Canada and the European Union.

As raised by workshop participants, shaking off that complacency and embracing digitalization across the financial system begins with policy makers setting out a vision of what they wish to achieve, and ambitious but frank consideration of what is possible. A key element of that vision must be the trade-offs inherent between opening access to the financial system, rewarding investment and maintaining the paramount policy goal of stability. Because it is understood that policy makers cannot forecast the forms innovation will take, the vision should maintain technological neutrality in making these trade-offs to avoid foreclosing potentially valuable paths of development. Once the vision is articulated, policy makers should understand the different capabilities the public and private sectors can bring to bear and capitalize on them as they work to realize that vision.

Today, Canada still lacks a policy vision for the future of its payments system articulated by the most senior officials tasked with the stewardship of our financial sector. This remains the case despite a thorough federal study of the potential future of Canada's payments system released over a decade ago. Although Budget 2022 announced consultations on the digitalization of money over a five-year window, there is little sense that this is a priority for the federal government.

It is this context in which the workshop discussion took place, one where Canada continues to lag behind global peers in evolution and reform of its payments system in an increasingly digital economy. Canvassing major developments in the payments space, payments system modernization, open banking, stablecoins and CBDCs, workshop participants offered a view into not only how other countries have approached these developments in their own economies, but also how Canada might overcome the barriers to creating a modern payments infrastructure and realize those benefits achieved by our international peers.

Payments System Modernization

In the last 20 years, countries around the world have conducted sweeping modernizations of the technical and regulatory infrastructure underpinning their payments systems. Rushing to take advantage of the potential benefits brought by increasing digitalization, countries of all stripes have invested in creating secure, fast and efficient payments systems commensurate with the digital age our economies have been pulled into. Setting the stage for a discussion of the work of payments modernization, participants highlighted that the process of modernization of the payments system is fundamentally a question of how we choose to govern ongoing technological change — no small task for governments and their citizens.

Although the steps to modernization will differ from country to country, participants presented common blueprint elements that could support jurisdictions in the move toward a modern payments infrastructure. Not limited to policy goals in the payments space, elements such as digital identifiers, consumer data rights, and cybersecurity and network resilience were listed as core complements to an economy suited for the digital era. Narrowing the focus to the payments space, enablers of successful modernization included consideration of prudential regulation, what entities have access to the payments system and the role of open finance. While the plans and needs of jurisdictions will differ, participants stressed the need for a plan and governance bodies able to execute that plan. On the topic of prudential regulation, participants spoke to the exogenous nature of technology change in the payments space, with change emerging from technology providers rather than banks, and recommended a separation of finance and payments technology for the purposes of prudential regulation. This was particularly the case for corporate bankruptcy frameworks, core to the broader economy but antithetical to the banking system. This separation raises the question of the handling of non-bank payment providers, and how the government might handle their resolution in times of stress.

Although Canada has made progress with regard to the prudential regulation of payments providers with the Retail Payment Activities Act and draft regulations, there continues to be a lack of legal clarity around access to the payments system, and how monetary policy might change as non-bank payment providers are allowed to enter the payments system. With regard to open finance, Canada was considered to be in the middle of the pack, lagging behind jurisdictions such as Australia, the European Union, Singapore and the United Kingdom but ahead of other peers including the United States. Participants observed that an approach to open finance would require an ongoing governance framework able to adapt to the ongoing technical evolutions in the space rather than a one-shot approach that aims to address the challenges seen today. Concerns were raised about the lack of an appropriate governing body in Canada equipped to implement such a framework, and jurisdictions leading the pack were identified as those who not only had their own bodies tasked with moving the open finance agendas forward but also incentivized stakeholders outside of the government to contribute to that agenda.

As a case study for discussion, participants were provided with an overview of the case of Brazil, a country that began its payments modernization journey over 20 years ago, culminating with the launch of the Pix real-time retail payments system a decade later. Beginning as an investigation into the state of competition in credit card markets and initially focused on real-time wholesale payments between financial institutions, Brazil's work has culminated in a new payments institution operated by the BCB that is now a major fixture of the Brazilian payments space. As the payments system handling the highest transaction value in Brazil, participants pointed to several features that contributed to the successful deployment and operation of Pix by the BCB, including mandatory participation by major financial institutions, access beyond traditional financial institutions, and low-cost or free transactions. Core to the access beyond traditional financial institutions was the 2013 extension of the remit of the BCB to include regulation and supervision of non-bank payments providers. The success of Pix was also attributed to the BCB's mandate, broader than peer central banks with its goals of not just monetary and financial stability but also the promotion of competition, financial inclusion and efficiency in the payments sector. By creating a public offering on top of which private sector actors can innovate and create their own offerings, Pix is able to introduce competition into the Brazilian payments ecosystem while preserving incentives for a broader range of actors to create innovative alternatives.

Participants contrasted Brazil's successful introduction of Pix with the delayed ongoing payments system modernization in Canada. Throughout 2010 and 2011, the Task Force for the Payments System Review studied the possibilities for modernizing Canada's payments architecture, including an assessment of Brazil's experience, noting that even at that time, Canada was already well behind 27 peer jurisdictions. Although there has been some progress, key elements proposed over a decade ago remain to be realized, and design choices taken to date raise concerns about the influence of incumbents on the future direction of Canada's payments system. The same task force report pointed to this influence in no uncertain terms, noting that the major banks' interests "are best served by keeping at bay new entrants to the system" (Department of Finance Canada 2011, 5). Participants drew attention to the decision to build Canada's Real-Time Rail system on top of the existing Interac messaging system and questioned whether a three-decades-old system ought to form the basis of a modern payments infrastructure. Core to concerns of reliance on the existing Interac system is its joint ownership by Canada's major financial institutions, its conversion from a non-profit to for-profit entity, and its history of interactions with the Competition Bureau, Canada's competition law authority. Again, comparing the case of Brazil with Canada, to disrupt the power of incumbents and encourage them to be more welcoming to competition, participants suggested that a path forward could be the introduction of a public alternative to spur the kind of innovation available in countries that have more fully embraced the digital economy.

Open Banking

Diving deeper into one proposed policy lever supporting the overall modernization of the payments system, workshop participants were walked through the steps that Australia took in implementing its open banking regime and the broader approach to consumer data that entailed. Rather than focusing on open banking as an end goal, the Australian government recognized the value that their citizens' data held and created a generalized consumer data right that would allow them to realize that value, with open banking as just one step in the process. Beginning with a system that better informed consumers of the relative data risk of different service providers, the consumer data right and the framework supporting it has given Australians greater autonomy in how their data is used across a range of sectors. Today, effectively the entire Australian banking system participates in the consumer data framework, covering approximately 99 percent of all consumer bank accounts, with two of the country's largest banks incorporating the system into their "instant" mortgage approval processes. But consumers can share this data beyond the banking system, with telecom and home energy companies provided as examples of non-bank participants. Participants noted that beyond giving consumers greater control over their personal data, the consumer data right allows Australians to bypass the often opaque networks of private data intermediaries that currently facilitate data sharing in other countries.

Considering the lessons from the Australian example, participants were clear that Australia benefited from the learnings of jurisdictions that went before it, notably the United Kingdom, but that the country had to forge its own path — one that reflected its own economic and cultural factors. A pillar of the success of the system was that Australia focused on providing incentives for a range of stakeholders to participate and support the data right, rather than simply leaning on compliance measures. Reciprocity, a whole-of-economy approach and a clear structure for liability were seen as key in bringing in a wide range of participants who could benefit alongside consumers from the adoption of the data right. But the stakeholders on whom the success of the system ultimately relied were of course the consumers, and Australia focused on delivering benefits to citizens above more abstract goals such as changing the competitive landscape. Similar to policy goals in other areas of the financial system, security and safety were paramount considerations. For consumers and businesses to buy into the system, they not only had to benefit from the system but also feel secure entrusting it with their personal data.

As with Brazil, the success of Australia can be contrasted with the relatively slow progress in Canada on the open banking front. While participants were reminded that Canada's more fragmented regulatory approach may require a higher degree of interjurisdictional regulatory coordination, participants noted deficiencies in the approach taken, including an apparent lack of focus on the topic of governance in developing Canada's framework. Returning to the Australian example, the question of governance was answered through the envisioned scope of the consumer data right. Because the government intended the right to have a whole-of-economy application, the country selected its competition regulator, the Australian Competition and Consumer Commission, to be the body responsible for governing access to the framework rather than a sector-specific regulator, or a regulator focused on only one aspect of the right, such as privacy. Considering the motivation for open banking in Canada, participants raised the question of how broadly the benefits of open banking might be felt in Canada, particularly considering the lack of an existing digital identity structure and existing restrictions on data sharing between sectors such as banking and insurance.

Stablecoins

After a rollercoaster year, including the high-profile collapse of a number of prominent players in the space, important questions remain about the future of stablecoins and their place in the Canadian and global payments system. Despite use cases (far from proven) outside the cryptocurrency space, participants noted that the instruments might still be one of the most important developments in the digitalization of payments and currency, and that effective regulation has a role to play in guiding that development. A suite of ironies of the stablecoin space were laid out for discussion, most prominently that despite their branding, many stablecoins have proven to be anything but stable. Core questions that have emerged for regulators include whether the interaction of stablecoins and the financial system should be limited to protect stability, and even whether regulation should be limited to avoid giving stablecoins a veneer of stability in the first place.

In the United States, a patchwork of approaches to stablecoins has emerged at both the federal and state levels, with ongoing evolution at both levels. While the US Treasury initially suggested only regulated banks would be allowed to introduce stablecoins, it has since signalled some flexibility, but just how much flexibility has remained unclear. Conversely, federal banking regulators have largely aimed to limit the interaction between stablecoins and banks, with participants highlighting the gulf between the goals of prudential regulation and the issuance of stablecoins on open and decentralized networks.

From the legislative perspective in the United States, although there was congressional momentum on stablecoin regulation, this enthusiasm has since cooled in the wake of the collapse of major players in the cryptocurrency space. Participants stressed that, especially in an environment with such high-profile coverage, regulators should focus on achieving their core policy goals when considering the future of stablecoins rather than on their views of the merits of the innovations. Participants made clear, however, that in the vacuum of action at the federal level, state governments remain free to license stablecoin issuers, and are creating a patchwork of approaches that raises the spectre of regulatory arbitrage, not to mention the growing activity of issuers in international jurisdictions.

Despite the focus on prudential regulation, participants suggested that the biggest issues for regulators may have more to do with the decentralized and permissionless nature of the underlying blockchain infrastructure. Issues of identity, governance, know-your-customer and anti-money laundering requirements may ultimately prove thornier yet critical ones to tackle, and to date it is unclear whether proposed technological solutions will be enough.

A recurring discussion in stablecoin and cryptocurrency regulatory space is whether stablecoins ought to be treated as securities or payment instruments. While securities regulators in multiple countries including Canada have moved to bring cryptocurrency products within their remit, participants worried that securities oversight alone may be insufficient to address the macroprudential risks that stablecoins might pose to the broader financial system. These would include questions of requirements for the composition of underlying asset mixes for stablecoins, and the degree to which stablecoin issuers should be treated like deposit-taking institutions. Arguing for a relatively instrument-neutral approach to regulation of stablecoins, participants proposed a “same risk, same activity, same regulation” framework building off the existing treatment of deposit-taking institutions in Canada. Participants also noted that the security-currency trade-off can ultimately be shaped by regulators, and that there is potential to unlock real value with stablecoins by limiting their ability to serve as stores of value and instead drive toward their potential uses solely as a means of payment.

Stablecoins raise the question of whether we should divert from the regulatory path largely taken to date and become comfortable with decentralized payment rails. Participants noted the further irony that despite stablecoins’ stated goal of offering a path to decentralized finance, the long-term future of stablecoins seems more likely to be one where large centralized authorities maintain a prominent role in the issuance of currency.

CBDCs

Although the number of countries engaging in some form of experimentation related to CBDCs has plateaued compared to growth seen in the past decade, nearly 100 jurisdictions are contributing to global efforts on the topic, and more countries are moving into more advanced stages of research, development and piloting. Although what exactly constitutes a CBDC was a topic of debate in the workshop, discussion focused on a definition of an instrument denominated in a jurisdiction’s unit of account, backed by their monetary authority and considered a direct liability of the central bank. Building on the conversation in previously held workshops, at issue was a CBDC for use by consumers and businesses — a so-called retail CBDC — rather than wholesale CBDCs for use between different financial institutions and the monetary authorities.

Although the economic needs that a CBDC could fulfill depend on the characteristics of individual economies, every jurisdiction faces a similar set of core design decisions that will shape the use and uptake of the instrument. These design decisions span the underlying architecture of the CBDC, the role of transaction fees and remuneration for holdings, disintermediation and risk mitigation, conformity to existing international financial regulation standards, and whether the currencies will allow for cross-border use. Although different jurisdictions are proposing and testing variations across these design decisions, remuneration and cross-border use have seen no uniform approaches to date. No jurisdiction has so far proposed an interest-bearing CBDC, likely with an eye to disintermediation risk, and despite the proliferation of CBDCs at the wholesale level, facilitating transactions between central banks and financial institutions, none of the proposed or piloted CBDCs that would be used by consumers and businesses have included the capacity for cross-border use. Critically, this will require a set of standards in areas such as interoperability.

Scanning the progress of different jurisdictions, it remains clear that smaller jurisdictions, with the exception of China, are leading the way in the development and implementation of CBDCs, with the Bahamas' efforts to address its geographic constraints as a prime example. But in the coming years, participants suggested we are likely to see larger jurisdictions enter into and expand their pilot efforts, bringing CBDCs closer into the mainstream. From the public's perspective, the future may seem more mixed, with varying levels of transparency on the level of activity and engagement of central banks related to CBDCs, making it difficult to assess the true state of progress globally.

On this theme, although Canada to date has been a less public participant in the global effort on CBDCs, there are signs that work by the BoC is moving to more advanced stages. While in Canada no decision has been made whether to issue a CBDC, participants pointed out that the sufficient prospect of benefits to the Canadian economy justifies substantial policy development and research into potential solutions, and the activity of the BoC reflects this. Participants noted a shift in the focus of the BoC's efforts away from more theoretical research to resourcing and investments to address the technical questions that would need to be answered to introduce a CBDC. With that in mind, the workshop was reminded that major questions related to a Canadian CBDC remain outstanding, including how the cost of delivering the system might be recouped and the role for a CBDC in offline payments most relevant for remote communities with limited internet access.

Participants stressed that a motivation for a CBDC should remain the encouragement of innovation and competitive alternatives to incumbent offerings. One reason suggested for the rapid proliferation of stablecoins in recent years was the lack of action on the part of the public sector in developing digital public money suited to the needs of modern economies. Amid the potential fragmentation arising from the use of instruments such as stablecoins, CBDCs remain a potential path for governments to inject competition into markets often dominated by incumbents locked in with powerful network effects. Regarding countries that do decide to implement a CBDC for use by consumers and businesses, participants made clear that the everyday value proposition for consumers and businesses is a paramount consideration for whether CBDCs become a fixture in the retail payments landscape. But this does not imply that issuers should aim for some kind of consensus before releasing the instruments into the wild. Governments must take seriously the views and concerns of their constituents, but to be truly successful they will need to lead with their own vision of what a CBDC can offer their citizens.

Conclusion: Canada Needs to Build a System for 2033, Not 2023

Canada has before it a tremendous opportunity to build a modern payments system that addresses the challenges we see in our existing system, delivers security and value to Canadians for years to come, and has the adaptability to weather future economic shifts. Seizing that opportunity, however, will require an approach that cuts across regulatory silos and incumbent interests entrenched in our evolving economy and takes a longer-term vision. Broken down somewhat artificially into the policy areas covered above, the workshop conversation surfaced throughlines for Canadian policy makers to consider in charting the course for the future of our payments system.

Discussion across each topic highlighted that in key areas, Canada does not have to reinvent the wheel, and has much to learn from other countries that have embarked on ambitious evolutions of their payments systems. That lesson is in tension with the need for Canada to forge its own path rather than merely mimic the actions of others and expect similar results, but the successes and failures of other jurisdictions should continue to inform Canada's efforts. Canada's answer to a modern payments system will require leadership to walk that unique path, but it will also require humility to build on the lessons of others and create a system that is interoperable with those of our global peers. Even in a world trending toward deglobalization, Canada will need seamless connections with its peers to keep pace in a potentially fragmented future. Participants noted that while followers can benefit from the lessons of those going before them, being a laggard carries its own risks, which Canada may soon be facing, and that the digital economy is less likely to be forgiving to a country that has traditionally benefited from a resource-oriented economy.

Another theme common across topics was the role of incumbents in shaping the sometimes frustrating progress toward a modernized payments system. Participants articulated how incumbent business models can be threatened by the policy goals discussed, and pushed regulators to understand those models and their profit centres in order to anticipate and respond to efforts to derail progress. Participants made clear that Canada runs a real risk of recreating the power structures present in its financial system for decades, in effect creating a payments system more at the service of incumbents' interests rather than citizens'. Although frequently framed in terms of conflicting interests, a mix of approaches, not just sticks, can be effective in making existing institutions fair partners in a new system, as lessons from other jurisdictions demonstrate. But true innovation and change cannot avoid upsetting some elements of the status quo, and so the need for decisive leadership on this front remains, with the minister of finance and the governor of the BoC ultimately the key actors in creating a framework for progress and mobilizing their respective federal institutions. Canada's long-delayed progress to date was seen as showing many of the hallmarks of incumbent influence, and participants stressed that policy makers must be awake to the often quiet risks that this influence has in derailing potentially more beneficial outcomes. The slow pace of change benefits only those who prefer the status quo, and the cost of Canada's exceedingly cautious and incumbent-driven approach will only intensify with time.

With those points in mind, Canada should redouble its efforts to foster a payments system that creates a more prosperous future for our economy rather than reinforces the perceived realities of our current one. The advantage of Canada's follower position can only be captured by aiming higher than simply catching up to the rest of the pack, even when doing so can mean going up against vested interests that stand to benefit from government complacence. By balancing carrots and sticks, Canada can bring together a broad range of stakeholders to lead Canada's payments system into the modern era. The prevention of risk is a core component to the responsible regulation of any financial system, but Canadians cannot use that truism as an excuse to miss the opportunities that peers have already taken years ago.

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Agenda

March 7, 2023

9:00–9:05	**Welcome** → **Paul Samson**, President, Centre for International Governance Innovation
9:05–9:10	**Opening Remarks** → **Senator Colin Deacon**, Independent Senator, Nova Scotia, Senate of Canada
9:10–9:25	**Overview** → **Dan Awrey**, Professor of Law, Cornell Law School
9:25	**Examining Four Thematic Areas of the Financial System and International Perspectives:** → **Chair:** **John Murray**, Former Deputy Governor, Bank of Canada
9:25–9:50	**A. Payments** → **Lead:** **Juliana B. Bolzani**, Lawyer, Central Bank of Brazil → **Discussant:** **Patricia Meredith**, Senior Fellow, Centre for International Governance Innovation
9:50–10:15	**B. Open Banking** → **Lead:** **Scott Farrell**, Strategic Counsel and Senior Consultant, King & Wood Mallesons → **Discussant:** **Jeremy Kronick**, Director, Monetary and Financial Services Research, C. D. Howe Institute
10:15–10:40	**C. Stablecoins** → **Lead:** **Timothy Massad**, Research Fellow, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government (M-RCBG); Director, M-RCBG Digital Assets Policy Project → **Discussant:** **Mark Zelmer**, Senior Fellow, C. D. Howe Institute

10:40–11:05 **D. CBDCs**

- **Lead:**
  John Kiff, Former Senior Financial Sector Expert, International Monetary Fund
- **Discussant:**
  Tim Lane, Former Deputy Governor, Bank of Canada

11:05–11:10 **Health Break**

11:10–11:55 **Round Table Discussion on Future Policy Coherence in Canada:**

- **Chair:**
  Robert Fay, Managing Director, Digital Economy Research,
  Centre for International Governance Innovation
- **Lead Speakers:**
  Barbara Stymiest, C. M., Fellow Chartered Professional Accountant
  Julie Dickson, Non-executive Director, Canadian Public Accountability Board, Global Risk Institute, Dubai Financial Services Authority, Manulife
- Does Canada have the right governance and processes to move forward on the range of issues?
- What are the priorities? When and in what order?
- Are modernization of the conventional payments system, open banking, stablecoins and CBDCs complements or substitutes? What are their relative risks and benefits?
- What are current problems and potential opportunities driving investments in these technologies, for Canada in particular?
- What can be done by Canadian authorities to improve? Intergovernmental aspects? Connections to global framework? Private sector's role?

11:55 **Closing Remarks**

- **David Dodge**, Senior Advisor, Bennett Jones LLP

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