

# Canada Weekly

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## Towards an electronics payments system in Canada

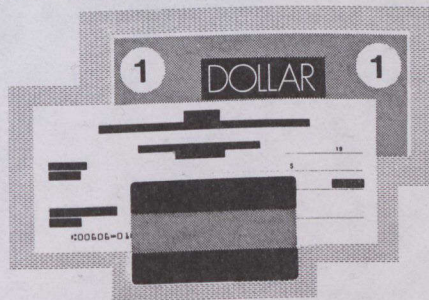
Canada's payments system - the method by which financial obligations are settled - is changing rapidly. Day by day, it relies less on paper transactions, largely cheques, and more on transactions effected electronically.

Computers are one force in this transformation. Modern telecommunications - the transmission of messages by wire, by microwave and by satellite - are another. Financial institutions, communications carriers, computer manufacturers, are its prime innovative agents.

The chartered banks in Canada, and other financial institutions, are moving rapidly to automated methods of handling paper-based transactions. They have, for example, begun installing sophisticated computer systems and communications networks to provide centralized electronic record-keeping. It is possible to foresee the day when computer/communications systems will be used for direct payroll deposit to a customer's account and the electronic interchange of payments instructions among financial institutions.

### Evolution of the credit card

The credit card is an important symbol of the changes in the payments system, but its evolution is such that "credit card" is perhaps too narrow a term. The holder of a "credit/payment card"



may in time use it as an instrument of direct payment as well as an instrument of purchase on credit. A message signalled by a terminal in a retail store would cause a debit on the customer's bank account for the item and a credit to the account of the retailer.

The movement away from a paper-based system of payments will result

in the eventual linking of a variety of institutions, financial, retail and government, and ultimately affect the day-to-day transactions of the individual consumer. It is important that this evolution be such as to protect the rights of individuals, to enhance the competitive environment for deposit-taking institutions and the computer/communications service industry, and to ensure the development of an efficient and equitable payments system.

### Federal leadership

*The Government will therefore take the lead to ensure the orderly development of the payments system.*

In April 1973, the Government published a "green paper" indicating its "current perception of a viable computer/communications policy that will enable Canadians to derive maximum benefit from computer/communications services". Arising from this, the Government established a Working Group of the Interdepartmental Committee on Computer/Communications to prepare recommendations on the continuing development of the payments system.

*On the basis of the recommendations of the working group and their subsequent evaluation, the Government supports a "common user communications network" for the payments system. This network is defined as a shared service which would be openly accessible to all qualified users on a fee-for-use basis. This recommendation would not preclude the use by individual institutions of private communication systems for purposes that are entirely internal to the institution and are unrelated to payments transactions.*

An essential prerequisite for a common user communications network is the development of suitable standards that will allow deposit-taking institutions, common carriers and computer manufacturers to co-ordinate their efforts.

*The Government is therefore inviting representatives of financial institutions, of telecommunications carriers, of computer manufacturers, and of*