



ENHANCING OPERATIONAL EFFICIENCY IN CANADIAN BILL PAYMENTS

Streamlining the Error Correction Process

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1. INTRODUCTION

In 2016, Payments Canada began modernizing Canada's payment ecosystem in response to Canadians' needs and the changing global payment landscape. Through consultations with financial institutions, regulators and other interest holders, they came up with a vision for the Canadian payment ecosystem that identified eight needs of a modern payment system:

- ✓ **Faster payment options**
- ✓ **Data-rich payments**
- ✓ **Transaction transparency**
- ✓ **Easier payments**
- ✓ **Cross-border convenience**
- ✓ **Activity-based oversight**
- ✓ **Open & risk-based access**
- ✓ **Platform for innovation**

Fig. 1: Attributes of a modern payment system

Since 2016, significant strides have been made, including the introduction of Lynx and Real-Time Rail and the transformation of the 40-year-old Automated Clearing Settlement System (ACSS) through a series of enhancements. These changes have significantly improved the efficiency and reliability of the Canadian payments ecosystem.

Despite recent updates, the Canadian payments system still lags behind modern global payment systems. Many countries have implemented more advanced, efficient, and widely adopted payment systems. Sweden, for instance, is recognized as one of the most cashless societies globally. It boasts a sophisticated digital real-time payment system, widespread usage of contactless payments, and an advanced digital identification system that facilitates secure online payments and banking.

As the Canadian financial landscape continues to evolve, there is an opportunity to modernize the payment infrastructure further to align with global standards. Understanding the opportunities and challenges associated with these advancements is essential. This paper explores the Canadian bill payment landscape, focusing on the current challenges related to error correction, and proposes a solution that aligns with Canada's payment system modernization drive.

2. BACKGROUND

2.1 Canadian Bill Payments Landscape

WITH OVER 1.6 BILLION BILLS PAID ANNUALLY, CANADIANS COLLECTIVELY SPEND CAD 6.5 TRILLION ON BILLS EACH YEAR.

Canadian consumers pay various types of bills using different services and platforms. The most common bills Canadians pay are utilities (electricity, water, phone, internet), taxes, subscriptions and credit card payments.

The operational end of bill payments involves several processes and systems that financial institutions and billers use to ensure payments are processed accurately and efficiently.

Financial institutions facilitate payments by authorizing transactions, debiting customer accounts, and routing funds through Payments Canada clearing systems. They ensure customers have sufficient funds, authenticate customer identities and payment details, and transfer money to the billers' banks. Financial institutions also reconcile transactions to maintain accurate records.

On the billers' side, payments received are matched to customer accounts and reconciled with outstanding invoices. They also ensure that funds are settled, accounts are updated in real-time or near real-time, and any discrepancies, such as overpayments or disputes, are addressed. Both parties focus on data security, protecting sensitive payment information, and ensuring compliance with privacy and anti-fraud regulations to ensure smooth and secure transactions.

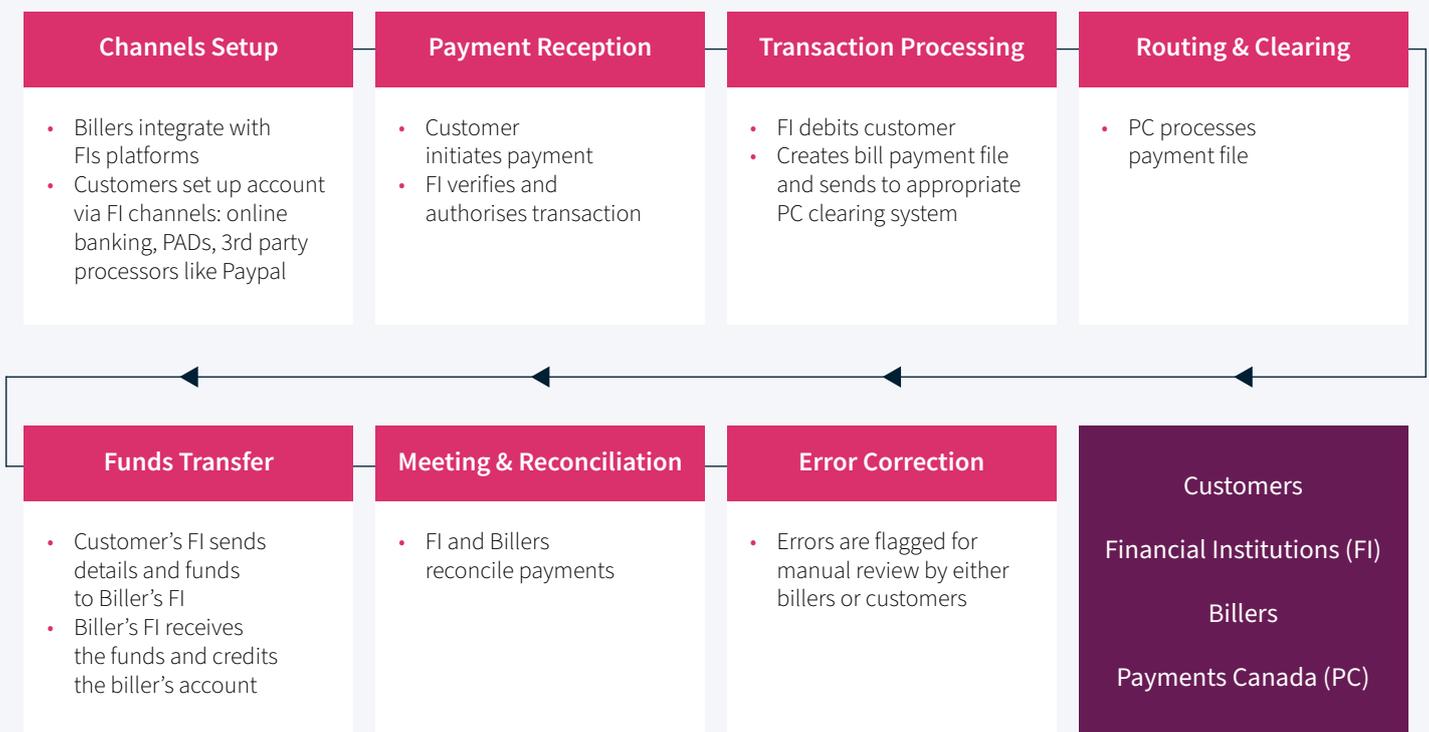


Fig. 2.1: Bill Payments Operational Framework

The Canadian bill payments landscape has evolved significantly over the past few decades, driven by technological advancements, regulatory changes, and shifting consumer preferences. Traditionally, Canadians relied heavily on paper-based methods for paying bills. However, the landscape has rapidly transformed with the advent of electronic payment systems and the increasing digitization of financial services. Today, the Canadian bill payments landscape is diverse, offering consumers various

options to manage and pay their bills and ensuring that all consumer preferences are considered and included in the industry's evolution.

The bill payments ecosystem is expected to continue evolving, with emerging technologies poised to play a role. The focus will increasingly be on enhancing speed, convenience, and security and providing more personalized payment experiences.



WHAT CONSUMERS WANT

There is a high level of digital adoption amongst Canadians, with most Canadians using online or mobile channels to pay their bills. The COVID-19 pandemic accelerated this trend as consumers increasingly turned to contactless and digital payment methods. Moreover, due to globalization, Canadian consumers are increasingly exposed to sophisticated payment systems. Consequently, they actively seek and expect a broader range of digital payment options.

Canadian consumers are also knowledgeable about the benefits of digital payments and understand the advantages and trade-offs of selecting one digital payment method over another. Therefore, they depend on diverse digital payment methods based on their specific needs and payment scenarios. As new digital payment alternatives arise, consumers' preferences will likely involve transitioning to more efficient payment methods or broadening their overall spectrum of preferred payment options.

Given the foregoing, it is becoming increasingly evident that offering consumer-friendly payment options and ensuring seamless transactions is crucial for gaining a competitive advantage. Financial institutions that prioritize delivering faster, more convenient, and secure payment experiences will be well-positioned in the digital payment era.

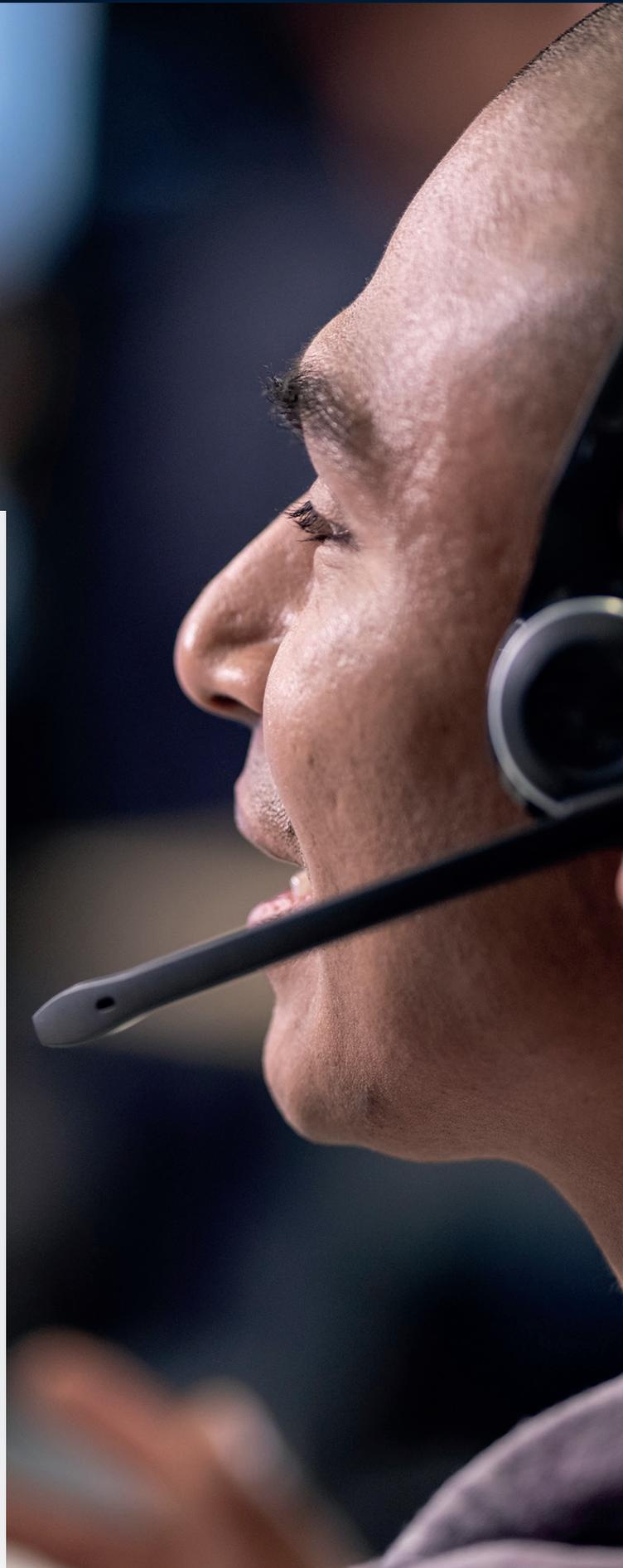
2.2 Bill Payment Challenges

Despite the progress made within Canada's payments ecosystem, several challenges and frustrations still exist in the bill payment process. These issues mainly stem from outdated systems and processes, affecting consumers, billers, and financial institutions alike. The pain points appear at different stages of bill payments, including biller onboarding, processing, remittances, and error correction.

CHANGE IS IMMINENT

In March 2024, Payments Canada launched a public consultation on a proposed revised framework for bill payments. The proposed changes aim to address some of these challenges, enhance operational efficiency, improve the bill payment experience for all interest holders, and align with global standards. The first wave of changes is expected to come into effect in the first half of 2025.

For the purposes of this paper, we will narrow our analysis to highlight the impact of these challenges on the error correction process.



3. PAIN POINTS IN ERROR CORRECTION

Financial institutions are tasked with managing a substantial volume of corrections each month, impacting many consumers and merchants. While it is usually consumers who initiate correction requests, there are cases where merchants are unable to reconcile customer payments, leading to rejects and returns. Bill payment errors commonly stem from duplicate payments within the same household or from business partners, payments to the wrong biller, incorrect account references, or overpayments.

Current Process of Correcting Electronic Bill Payment Errors

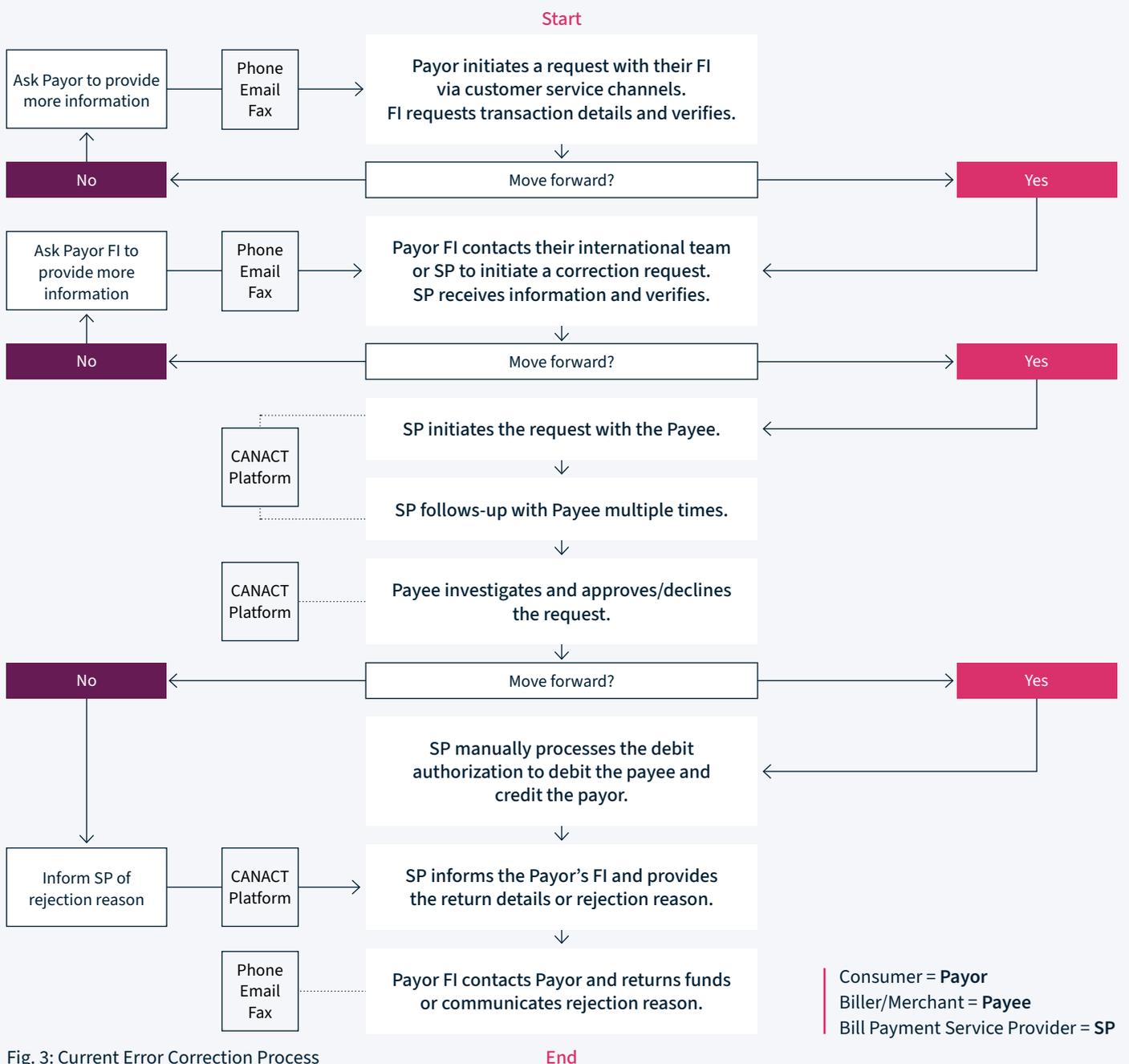


Fig. 3: Current Error Correction Process



One of the primary challenges in rectifying bill payment discrepancies is the **manual nature of the error correction process**. This process involves multiple parties across various points of contact, often leading to delays and human errors. Requests are sent via email or fax, making them susceptible to misplacement or loss, and several touch points and associated backlogs result in significant delays spanning weeks or months.

Additionally, correcting errors often requires intricate and time-consuming coordination among parties. The **absence of standardized communication channels and procedures** makes this process inefficient. Switching between phone, email, fax, or other communication platforms for the same transaction will inevitably result in mistakes or oversights.

Adhering to **regulatory standards and compliance requirements** throughout the error correction process is crucial but can be complex and

resource-intensive. Preventing fraud and ensuring the security and confidentiality of personal and financial information exchanged through email and fax add to the complexity, making a more manageable system necessary.

Furthermore, the associated **costs of managing and rectifying errors** can be substantial for financial institutions and merchants. The current process requires designated teams within the financial institution and demands considerable effort from multiple parties for each transaction. The resources needed for managing these requests are predominantly entry-level positions, resulting in frequent training due to high turnover.

For consumers, **delayed resolution and lack of visibility into the process** can result in frustration and dissatisfaction. The lack of standardization in returning funds to consumers creates additional obstacles, as misplaced cheques and drafts contribute to further delays and customer frustration.

4. STREAMLINING ERROR CORRECTION WITH CANACT BILLPAY

4.1 CANACT BillPay Overview

Dye & Durham’s CANACT BillPay service is Canada’s largest bill payment service, supporting 15 financial institutions, catering to over 15,000+ national billers, and delivering bill payment solutions to over 20 million corporate and retail clients. The platform gives financial institutions access to the largest biller database in Canada, enabling them to manage daily payment settlements and remittance deliveries.

Leading Canadian financial institutions, including CIBC, BNS, BMO, Tangerine, Meridian, Motus Bank, Manulife, Peoples Trust, PC Bank, PNC Canada, HSBC Canada, Bank of America Canada, JP Morgan Canada, Citibank Canada, and Shinhan Bank Canada, have adopted the CANACT BillPay service, capitalizing on its extensive national biller database and fully managed services. These institutions derive benefits

from seamless integration with their online banking systems, improved operational efficiency, and access to robust security measures and regulatory compliance. Furthermore, they can rely on the service’s proven track record of reliability and its seamless alignment with their digital transformation strategies.

Drawing upon over two decades of hands-on experience in onboarding, payment processing, and error correction, Dye & Durham is proud to announce the introduction of a user-friendly error correction feature to the CANACT BillPay platform. This pioneering feature will enable users to efficiently initiate returns, rejects, and traces online, ensuring a smooth, secure, and economical experience. Scotiabank is among the first financial institutions committed to adopting this innovative solution and is set to become the first customer in 2025.

4.2 Automated Error Correction in CANACT BillPay

Bill payments

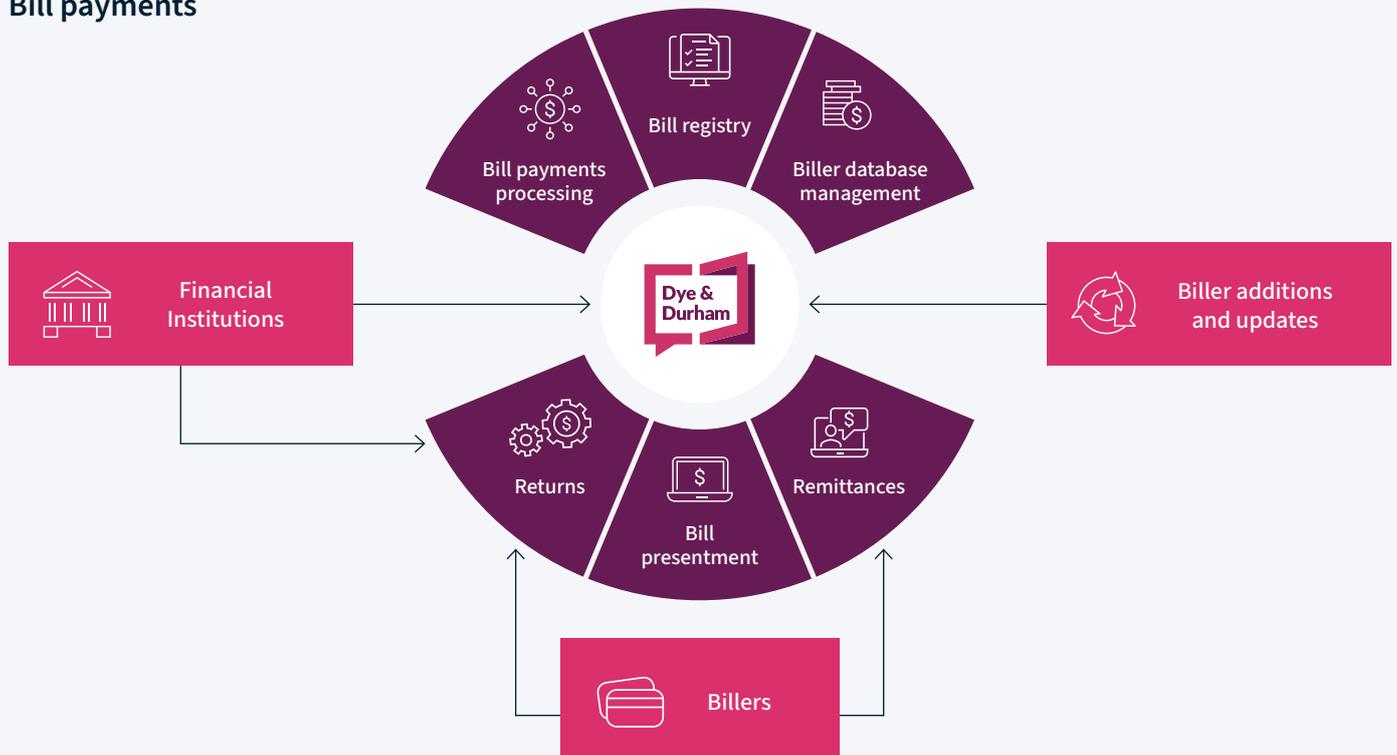


Fig. 4: Automated Error Correction in CANACT BillPay

4.3 Features of Automated Error Correction in CANACT BillPay

Automation and Speed

Through automation, this functionality minimizes the need for manual intervention, enhances communication efficiency, and guarantees precision. The system handles end-to-end processing until refunds are delivered directly to the payor, ensuring customers receive them promptly. Consequently, this feature will **reduce the current processing time for error correction from weeks or months to a matter of days.**

Autonomy

Financial institutions can initiate returns and traces on behalf of their customers. They also have the option of enabling their **customers** to recall bill payments directly from online banking platforms. **Billers** can also approve returns and initiate rejects directly on the platform. They also have access to payment information, advice files, and detailed reports on returns and rejects for all financial institutions on the platform.

Full Transparency

The platform provides complete transparency and visibility for financial institutions and billers, offering real-time updates on payment statuses and detailed insights into payment activities.

Compliance and Security

The CANACT BillPay platform is equipped with robust security features to ensure compliance with all regulatory requirements and industry standards for data accuracy, security, and transparency.

Attribute	Manual Error Correction	Automated Error Correction
Resolution time	Weeks	✓ Days
Accuracy	Susceptible to human errors	✓ High accuracy
Cost	High operational costs	✓ Lower operational costs
Customer experience	High instances of frustration and dissatisfaction	✓ Faster resolution improves the overall customer experience
Regulatory compliance	Complex and resource-intensive	✓ Automated to consistently meet regulatory standards and prevent fraud
Communication	Complex and inconsistent	✓ Streamlined and simplified
Transparency	Manual tracking and reporting	✓ Full transparency with real-time monitoring, reporting, and dashboards
Security & confidentiality	Complex and high-risk	✓ Automated, robust security features

Fig. 4.3: Benefits of Automated Error Correction over Manual Error Correction

5. CONCLUSION

The CANACT BillPay automated error correction platform represents a significant advancement in Canadian bill payments. This innovative feature addresses the current challenges and offers financial institutions and billers a secure, user-friendly process that boosts efficiency, reduces costs, and improves customer satisfaction.

As the Canadian payments industry advances towards its modernization goals, Dye & Durham remains committed to supporting financial institutions and billers in meeting consumers' growing demands and staying competitive in the global financial landscape.

EXPERIENCE THE FUTURE OF PAYMENTS WITH CANACT BILLPAY

Contact us now to schedule a demo and see how it can transform your operations and enhance the client experience.



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