



VisaNet Disclosure

Bank of Canada Prominent Payment System Risk-Management Standards

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Overview

Visa and VisaNet — Key Information

Visa is one of the world’s leaders in digital payments. Our purpose is to uplift everyone, everywhere by being the best way to pay and be paid. We facilitate global commerce and money movement across more than 200 countries and territories among a global set of consumers, merchants, financial institutions and government entities through innovative technologies.

Since Visa’s early days in 1958, we have been in the business of facilitating payments between consumers and businesses. We are focused on extending, enhancing and investing in our proprietary advanced transaction processing network, VisaNet, to offer a single connection point for facilitating payment transactions to multiple endpoints through various form factors. As a network of networks enabling global movement of money through all available networks, we are working to provide payment solutions and services for everyone, everywhere.

Visa has operated in Canada for more than 50 years, supplying Canada with one of the most advanced payment networks in the world. In a global economy that is increasingly conducted online and where business is routinely conducted across borders, this network is a critical enabler of commerce for individuals and large and small businesses. Visa facilitates Canadian commerce through the transfer of payments across our network – conveniently, securely and reliably every second of every day.

- Visa facilitates secure, reliable and efficient money movement among consumers, issuing and acquiring financial institutions and merchants. We have traditionally referred to this structure as the “four-party” model. As the payments ecosystem continues to evolve, we have broadened this model to include digital banks, digital wallets and a range of financial technology companies, governments and non-governmental organizations. We provide transaction processing services (primarily authorization, clearing and settlement) to our financial institution and merchant clients through VisaNet.
- Visa offers a wide range of Visa-branded payment products that our clients, including nearly 14,500 financial institutions, use to develop and offer payment solutions or services, including credit, debit, prepaid and cash access programs for individual, business and government account holders.
- Visa provides value-added services to our clients, including issuing solutions, acceptance solutions, risk and identity solutions, open banking solutions and advisory services.
- Visa invests in and promotes our brand to the benefit of our clients and partners through advertising, promotional and sponsorship initiatives with the International Olympic Committee, the International Paralympic Committee, the National Football League, and the Red Bull Formula One Teams—the Oracle Red Bull Racing Team and the Visa Cash App RB Formula One Team, among others. We also use these sponsorship assets to showcase our payment innovations.

VisaNet Prominent Payment System Designation

VisaNet is Visa’s global network. In October 2023, VisaNet was designated as a Prominent Payment System (“PPS”) under the *Payment Clearing and Settlement Act*, bringing it under the formal oversight of the Bank of Canada (“the Bank”). This designation subjects VisaNet to the Bank’s *Criteria and Risk-Management Standards for Prominent Payment Systems*. This document provides a summary of the self-assessment by Visa Canada Corporation (“Visa Canada”) with respect to these criteria and standards.

Annual Statistics for Canada*

Measure	2024	2023
Total Payment Volume	6.5 billion	5.9 billion
Total Transaction Value	USD\$445 billion	USD\$422 billion

*This data is based on the calendar year, with figures as of December 31.

Standard-by-Standard Narrative Disclosure

Standard 1: Legal Basis

A PPS should have a well-founded, clear, transparent and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.*

*All the 18 standards in the box are from Criteria and Risk-Management Standards for Prominent Payment Systems issued by Bank of Canada

Visa Canada is a company under the laws of Nova Scotia and is indirectly owned by Visa, a publicly traded company incorporated under the laws of Delaware, U.S.A.. Visa Canada is responsible for operating the Visa payment system within Visa’s Canada region and contracts primarily under Ontario law. Visa Canada partners with its direct participants (referred to as customers) which are generally financial institutions (such as banks) as well as other non-direct participants such as electronic money institutions and payment institutions, and other industry partners — to enable electronic payments and associated services.

Each new Customer of Visa Canada is required to execute an agreement which establishes the legal basis for the customer’s participation in the Visa payment system in Canada. The agreement requires, among other things, that each customer comply with the Visa Core Rules / Visa Product & Services Rules (“VCR”/”VPSR”) as well as all applicable laws.

The VCR/VPSR set out the specifications and standards for card-based payment transactions, which preserve the integrity of, and confidence in, the Visa ecosystem and the Visa brand. They define the roles and responsibilities of the four primary participants (Issuer, Acquirer, Merchant and Cardholder) in a payment transaction. They also set out the legal framework for participating in the payment system; the rules around issuing cards and acquiring merchant transactions; payment, transaction processing and settlement obligations; and compliance and arbitration processes.

By signing the agreement, each customer expressly is contractually bound to comply with the provisions of the VCR/VPSR. This provides legal certainty with regards to the rights and obligations of Visa Canada and customers. Visa Canada is confident that the legal framework outlined above is enforceable in each jurisdiction within which it operates in Canada.

Visa Canada’s framework of legal documents (*i.e.*, Agreements and the VCR/VPSR) establishes a clear set of rules and procedures for participation in Visa in Canada. The rules and procedures are drafted and structured as clearly as possible, with each chapter focused on a specific element of the Visa payment system.

Visa Canada undertakes a comprehensive legal review to ensure that any new product or change to the VCR/VPSR does not conflict with applicable legal requirements and is permissible under Canadian federal and provincial laws. This approach helps to ensure that the VCR/VPSR, as well as the procedures and contractual obligations that Visa Canada has with its customers, are enforceable in all relevant Canadian jurisdictions. Additionally, in the event of a conflict between a Visa rule, procedure and/or an applicable law, applicable law will take precedence.

Standard 2: Governance

A PPS (Prominent Payment System) should have governance arrangements that are clear and transparent, promote the safety and efficiency of the PPS, support confidence in and the smooth functioning of the markets it serves, and support other relevant public interest considerations as well as the objectives of relevant stakeholders.

Visa and each of its subsidiaries (“Visa”) recognize that the purpose of effective risk management is the creation and protection of value, and that it improves performance, encourages innovation and supports the achievement of our stakeholders’ objectives.

Visa Canada expressly adopts Visa’s global *Risk Management Policy* and *Enterprise Risk Management Framework* (“ERMF”), which clarify Visa’s overall risk management approach. They outline the objectives and roles played by the three lines of defence to manage risks of Visa entities, thereby allowing Visa Canada to help support the integrity and stability of the broader Canadian financial system, as well as the interests of relevant stakeholders.

The risk management responsibilities of Visa include oversight of Visa’s risk management frameworks to help ensure their overall adequacy and effectiveness, approval of Visa’s risk appetite framework and risk appetite limits and ensuring



maintenance of a sound system of internal controls, policies, and risk management processes.

We are confident in the value Visa Canada brings to the Canadian payments ecosystem, with our commitments to consumer protection, network security and resilience solutions. Visa Canada is committed to maintaining the integrity of the Canadian payments ecosystem, including through the prohibition of illegal transactions on the Visa network and the related compliance programmes to enforce this prohibition.

Visa has established a comprehensive corporate governance framework, including *Corporate Governance Guidelines*, and a *Code of Business Conduct and Ethics*, which define the lines of responsibility and accountability. These documents are publicly accessible on Visa’s Investor Relations website and regularly shared with relevant authorities and clients. Visa Canada leverages these guidelines, frameworks, and policies.

Additionally, Visa Canada maintains a Board of Directors which oversees Visa Canada’s risk management activities, processes and risk exposure to ensure their overall adequacy and effectiveness. The Visa Canada Board also oversees the Company’s assessment and management of operational and cyber resilience.

Standard 3: Framework for the Comprehensive Management of Risk

A PPS should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational and other risks.

Visa has a robust governance and risk management program including a well-documented *Risk Management Policy*, *ERMF*, *Risk Appetite Framework* (“RAF”), Governing Committee charters and other supporting risk management frameworks, policies and guidelines that provide structure and guidance to all employees for overall risk management. Visa Canada leverages these guidelines, frameworks, and policies.

Risk Management Policy

Visa Canada recognizes that effective risk management is required to achieve the objectives of its stakeholders. Visa Canada’s approach for managing risk is governed by the global *Risk Management Policy*, and executed by Visa Canada employees, management and directors. The policy is designed to set the risk management foundation across Visa, Visa customers and the payments ecosystem. The policy and supporting frameworks promote compliance with Visa rules, procedures, applicable laws, regulations, relevant industry standards, and best practices. The policy is reviewed regularly to confirm that it remains relevant and is effective in meeting the stated business objectives. Visa Canada has adopted the Visa global *Risk Management Policy*.

Enterprise Risk Management Framework (“ERMF”)

ERMF supports the achievement of Visa’s objectives by bringing a consistent and pragmatic approach to risk management. It provides an overarching approach of how Visa manages risk, the effect of uncertainty on objectives, and is supported by bespoke *Risk Management Frameworks* that provide more details and context across Visa’s Risk Categories. ERMF is informed by, and generally consistent with, leading risk management practices in the industry including the *Committee of Sponsoring Organizations of the Treadway Commission* (“COSO”), *Enterprise Risk Management* and the *Integrated Framework and Principles for Financial Market Infrastructures* (“PFMI”). The Framework also incorporates guidance from regulatory bodies such as the Federal Banking Agencies (“FBA”) in U.S.A and the Bank of England (“BoE”).

Risk Management System

Visa has a risk management system to support the capture, assessment, ownership, and reporting of risks across the Company. Use of this tool enables the first line of defence to have visibility of their risks and the second line of defence to review and challenge risks as they evolve. The tool drives day-to-day risk management through automated alerting in accordance with designated workflows and enables the first line of defence to be more efficient in their capture, updates, and reporting of risk related information. It also allows for enhanced risk and trend analysis as well as monitoring and oversight. Various other systems are used by respective first and second lines of defence to drive risk management activities in their business context.

The effectiveness of Visa Canada’s risk management policies, procedures, and systems is regularly assessed through audits undertaken by Visa’s internal audit team.

Standard 4: Credit Risk

A PPS should effectively measure, monitor and manage its credit exposures to participants and those arising from its payment clearing and settlement processes. A PPS should maintain sufficient financial resources to cover its credit exposure arising from the default of the participant and its affiliates that would generate the largest aggregate credit exposure for the PPS in extreme but plausible market conditions.

To help ensure integrity and confidence in the Visa payment ecosystem, Visa Canada takes ultimate responsibility for settlement obligations and is exposed to credit settlement risk from Visa customers. Visa Canada follows a conservative risk appetite for financial risk, aiming for minimal credit losses and ensuring accurate and timely settlements.

Visa as a defined RAF within its ERMF, which Visa Canada leverages in Canada. The Global Credit Settlement Risk team (“Global CSR”) maintains a comprehensive credit risk policy and procedures to manage credit risk, including evaluations of customers, country risk assessments, and monitoring and reporting mechanisms.

The North American CSR team manages credit risk from clients in the U.S. and Canada, working closely with Global CSR to address significant credit exposures. Credit risk management is supported by the Credit Settlement Risk Policy, Capital Management and Dividend Policy, and Treasury Policy, with tools to assess credit risk promptly.

Standard 5: Collateral

A PPS that requires collateral to manage its credit exposure or the credit exposures of its participants should accept collateral with low credit, liquidity and market risks. A PPS should also set and enforce appropriately conservative haircuts and concentration limits.

The Credit Settlement Risk Policy requires collateral from some customers in respect of settlement obligations depending on the outcome of their initial or annual credit risk assessment. Additional collateral can be requested at any point in time, depending on the customer's creditworthiness and growth in settlement exposure. Visa’s policies also include a clear collateral waiver process, including associated escalations. Policies are refreshed annually. Visa Canada operates in accordance with those global policies.

The CSR team uses a near real time system of record for settlement exposure and collateral management. The system stores relevant collateral documents and is accessible to all CSR analysts globally. Visa also uses a third-party Custodian that prices securities collateral on a daily basis, with this information uploaded to CSR’s system of record for settlement exposure and collateral.

Visa’s Credit Settlement Risk Policy sets the requirements pertaining to the collection and release of collateral from and to customers, restricting eligible collateral to that which is high in credit quality and liquid, and which has low market risk. There is a system in place to support Visa Canada’s collateral management approach, and Program Security Agreements give Visa Canada legal rights over collateral.

Standard 6: Liquidity Risk

A PPS should effectively measure, monitor and manage its liquidity risk. A PPS should maintain sufficient liquid resources in all relevant currencies to effect same-day and, when appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the PPS in extreme but plausible market conditions

Visa Canada maintains sufficient liquidity for same-day payments to acquiring customers in line with VCR/VPSR.

Visa employs a conservative RAF within its ERMF to minimize liquidity risk. The Treasury Policy outlines liquidity management, capital markets, investment management, and foreign currency risk management, specifying acceptable investments and limits for counterparties.

Visa Global Treasury monitors liquidity intraday for real-time visibility of positions and obligations across currencies. Agreed trigger points ensure timely action for any liquidity shortfalls, guaranteeing sufficient liquid resources for same-day settlements even if the largest net debit customer fails to settle.

Visa tests liquidity sufficiency daily according to Bank for International Settlements (“BIS”) standards, with results reported regularly. The CSR team mitigates insolvency risk by requiring collateral, supplemented by free cash flow to



replenish resources if needed. All settlements are conducted *via* wire through Real-Time Gross Settlement (“RTGS”) systems.

Global Treasurys liquidity risk management includes tools for intraday monitoring and ensures reliable resources under stress scenarios. For more detailed information, refer to Standard 3.

Standard 7: Settlement Finality

A PPS should provide clear and certain final settlement by the end of the value date. When necessary, or preferable, a PPS should provide final settlement intraday or in real time.

The VCR/VPSR establish the framework for Visa's settlement process, detailing Visa Canada's responsibilities and customers' obligations related to payments. These rules, provided to customers upon admission and publicly available on Visa Canada's website, ensure settlement finality by mandating that issuers fulfill payment obligations. Acquirers must also settle disputes or chargebacks as per VCR/VPSR. The agreements and VCR/VPSR provide legal certainty for Visa Canada customers, enforceable in all jurisdictions of operation. Visa operates a net settlement system with batch processing. Daily settlements for Canada use the Payments Canada's RTGS system Lynx, ensuring final settlement on the value date. Customers receive daily settlement reports *via* the Visa Access platform. Visa's 24-hour clearing and settlement cycles involve pre-scheduled file collections, with net settlement positions shared internally and with clients. Liquidity provisions cover potential shortfalls, ensuring timely settlement. Visa guarantees the settlement in Canada, covering defaulted payments to ensure acquirers are paid. The VCR/VPSR prevent the unilateral revocation of authorized but unsettled payments, ensuring obligations are met even in insolvency cases.

Standard 8: Money Settlements

A PPS should conduct its money settlements in central bank money when practical and available. If central bank money is not used, a PPS should minimize and strictly control the credit and liquidity risk arising from the use of commercial bank money.

Visa conducts money settlements across multiple net settlement services in various currencies, utilizing both central and commercial banks each business day. In Canada, commercial banks are used. Customers in a net debit position must settle their position to a designated Visa Canada account by a daily cut-off time, while Visa Canada settles customer net credit positions on the same basis. Commercial banks are also used for the International Settlement Service (“ISS”). The CSR team monitors the financial health of settlement agents quarterly, and any signs of deterioration prompt action from the Treasury team.

Settlement banks are chosen based on a number of criteria, meeting minimum counterparty requirements set by the Treasury Policy Credit ratings and assessments of settlement banks are reviewed annually by the NA CSR team. The NA CSR team continuously monitors the credit and liquidity risks of settlement banks, analyzing their regulatory environment, capitalization, liquidity, and exposure to Visa.

The ISS, handling cross-border transactions, operates through commercial banks with segregated currency accounts and monitored settlement positions. Daily domestic settlement nets to zero, minimizing overnight exposure to commercial banks. Visa Global Treasury monitors settlement volumes and reconciles bank accounts intra- and end-of-day.

Customer agreements mandate that funds paid are final and irrevocable, and made prior to the central bank cut-off times. Payment instructions use established mechanisms like SWIFT, ensuring final and irrevocable settlement. Settlement through central bank accounts occurs simultaneously for participants, while commercial bank receipts and payments occur throughout the day as liquidity limits allow. Settlement bank contracts and agreed upon operating procedures ensure settlements on the value date.

Standard 9: Participant-default Rules and Procedures

A PPS should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the PPS can take timely action to contain losses and liquidity pressures and continue to meet its obligations.



The CSR team actively manages and mitigates risks associated with customer credit and defaults. Visa customers must meet their settlement obligations in a timely manner. If a customer fails to settle, Visa Global Treasury engages with the customer to understand the failure and seek reimbursement. CSR assesses the situation to determine if it constitutes a default and decides on necessary actions, including potential suspension of customer access to Visa.

Visa takes steps to prevent financial losses, including utilizing collateral and liquidity sources, and may suspend customer activities to protect the payments ecosystem. In case of customer failure, consumer protection remains intact, and disputes are processed normally.

CSR monitors early warning signs and uses various data sources to identify at-risk customers. If a non-settlement event occurs, CSR engages with the customer to understand the cause and may request collateral if needed. Visa may offset positions to limit exposure and seek immediate reimbursement.

Visa Canada reviews third-party monitoring capabilities to manage concentration risks. Financial safeguards are used before Visa Canada’s own funds if a customer fails to meet obligations. Visa Canada has access to liquidity and follows documented policies to handle defaults.

A public version of the VCR/VPSR is available on Visa Canada’s website, detailing Visa's ability to reduce customer risk. Regular testing ensures that the impact of defaults is quantified, and procedures are validated.

Standard 10: General Business Risk

A PPS should identify, monitor and manage its general business risk and hold sufficient liquid net assets to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialize. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Visa Canada operates according to Visa's ERMF. Visa’s risk management approach is overseen by Visa's Chartered Board, Management Committees, and Working Groups, and follows the Three Lines of Defence (3LoD) model:

- 1. **First Line:** Risk owners responsible for managing risks in daily operations;
- 2. **Second Line:** Independent overseers who review and challenge the risk management activities of the First Line;
- 3. **Third Line:** Independent assurance providers who ensure the effectiveness of the First and Second Lines.

Risk management is integrated into various business processes, including New Business Initiatives Assessment, Third Party Risk Assessments, Risk Control Self-Assessment, and Credit Settlement Risk management. Visa ensures it has the appropriate resources and expertise to maintain risk accountability and has robust budgeting and forecasting processes to manage operating expenses effectively.

Liquidity Management: Visa actively manages liquidity risk through daily monitoring and forecasting. It has facilities for same-day funding, including overdraft facilities and a Revolving Credit Facility to handle unexpected or large cash outflows. Visa’s Global Treasury measures cash flow exposure, and the Second Line of Defence ensures effective risk management.

Visa’s Board sets the annual risk appetite, and any exceptions are managed through risk governance processes. Visa holds sufficient safe and liquid assets, including cash and investments, to support operations. As of September 30, 2024, Visa had \$12.0 billion in cash and cash equivalents and \$5.4 billion in available-for-sale debt securities. These assets are primarily invested in U.S. Treasury and government-sponsored agency securities, designed to meet working capital and liquidity needs.

In the event of a significant loss, Visa has tools to rebuild financial resources, including retaining earnings and capital injections from other Visa entities. General business risks are managed within Visa’s ERMF, ensuring the organization can identify, monitor, and mitigate potential losses.

Visa's Capital Management and Dividend Policy includes provisions for business losses, ensuring all equity is held as liquid net assets to cover credit and general business risk requirements.

Standard 11: Custody and Investment Risks

A PPS should safeguard its own and its participants’ assets and minimize the risk of loss on and delay in access to these assets. A PPS’s investments should be in instruments with minimal credit, market and liquidity risks.



Visa Canada operates with a highly regulated and well-supervised custodian bank in North America, ensuring robust accounting practices, safekeeping procedures, and internal controls to protect client assets.

Global Treasury Policy and investment guidelines set minimum requirements and limits for investments, monitored daily for compliance. Visa Canada's own funds and collateral in cash are held with our custodian bank, ensuring prompt access to these assets when necessary.

Investment guidelines limit investments by product and counterparty, ensuring Visa is not overly exposed during credit events. Cash is held at an investment-grade financial institution, accessible same-day. The CSR team monitors and evaluates the credit quality of the custodian annually, with oversight from the Financial Risk Management second line of defence team.

Visa’s audited financials indicate the risk profile of its investment portfolio. Visa Canada has access to Visa’s investment portfolio to cover liquidity shortfalls.

Compliance with the Treasury Policy is monitored daily, reported bi-weekly to management, and quarterly to the Board. The Treasury Policy is reviewed and approved annually.

The Treasury Policy and investment guidelines document minimum counterparty ratings and set credit, duration, and concentration limits for the portfolio. All investments are accessible the same day, with well-practiced liquidation processes.

General business risk is managed within Visa Canada’s ERMF, ensuring the identification, monitoring, and management of potential losses. All equity is held in liquid net assets, covering credit and general business risk requirements. The general business risk amount is based on stress testing scenario analysis, ensuring adequate risk coverage.

Standard 12: Operational Risk

A PPS should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business-continuity management should aim for timely recovery of operations and fulfillment of the PPS’s obligations, including in the event of a wide-scale or major disruption.

The Visa Canada Board and management makes decisions in the interests of Visa Canada, having due regard to Visa Canada's regulatory obligations, including links between its operational risk and operational resilience.

As referenced in Standard 2, Visa has a robust governance and risk management program including a well-documented Risk Management Policy, ERMF, RAF, Governing Committee charters and other supporting risk management frameworks, policies and guidelines that provide structure and guidance to all staff for overall risk management. Visa Canada leverages these guidelines, frameworks, and policies as appropriate.

Visa Canada adopts the global risk frameworks and provides the governance and perform risk management oversight. The Visa Canada Board oversees the Visa Canada risk framework, risk programs, and effectiveness of controls. Visa Canada leverages the audit function of Visa.

The Operational Risk Management Framework (“ORMF”) provides an overview for management and staff to identify, measure, manage, and report all types of operational risks in accordance with the 3LoD model (as set out in Standard 3).

Visa Canada applies global-level ORMF and other bespoke frameworks when managing operational risk in Canada and ensures that Visa Canada operates in accordance with those frameworks. We are outlining key components of the global operational risk framework below:

Operational risk

The ORMF formalizes the activities established to identify, assess, treat, and monitor Visa’s Operational Risks. The Framework provides an overview of how we enable the identification, assessment, and awareness of Operational Risks that Visa is exposed to and allows transparency into Operational Risk oversight activities. The scope includes risks inherent in the design, management, performance and governance related to Visa people, external events, external relationships, models, and internal processes and controls. It also references Visa programmes that support the holistic management of operational risk, operational resilience, information security, physical security, the Third-Party Lifecycle



Management Program (“TLMP”) and Model Risk Management (“MRM”). Effective identification, management, and governance of operational risks are crucial to:

- the understanding of the operational risk profile and the control environment;
- the sustainability, resilience, security, and performance of Visa’s operations;
- delivering Visa’s operational risk objectives and in turn, enhanced operational resilience capabilities; and,
- maintaining the resilience of Visa Canada’s payment infrastructure and ecosystem.

The risk assessment processes, including Risk and Control Self-Assessments (“RCSA”), facilitates identification and assessment of any single point of failure. This is complemented by the control assurance program, which delivers periodic assurance over controls linked to Visa’s higher inherent operational risks.

Visa Canada applies global Operational Risk Events programme linked to actual and near misses related to people, process, systems or external events. This enables the identification of operational improvements to avoid repeat losses or issues. Additionally, the Issue Management programme drives improvements in controls weaknesses and failures by identifying issues from events, vulnerabilities, and incidents to drive improvements in the overall control environment across Visa Canada.

Technology and cyber risk

Visa Canada operates in accordance with the Global Technology Risk Management Framework and provides oversight supported by the Global Technology and Cyber Risk teams. The Global Cyber and Technology Risk teams are a subject matter expert team that operates in accordance with the frameworks, policies and procedures that apply to Visa as well as the risk appetite defined on availability and reliability, data security and data integrity risks for Visa Canada.

Standard 13: Access

A PPS should have objective, risk-based and publicly disclosed criteria for participation that permit fair and open access

VCR/VPSR establish the standards and specifications for card-based payment transactions, ensuring the integrity and confidence in the Visa ecosystem. They define the roles and responsibilities of issuers, acquirers, merchants, and cardholders, and set the legal framework for participating in the payment system, including issuing cards, acquiring merchant transactions, payment processing, settlement obligations, and compliance processes. Customers agree to comply with these rules by signing agreements, providing legal certainty for Visa and its customers. The VCR/VPSR, updated biannually, are crucial for Visa’s operations and cover general and specific requirements for products and services. Visa evaluates membership applications through a consultative approach involving Client Licensing, Legal, and Risk teams to ensure compliance. Customers must adhere to the VCR/VPSR and pay associated fees. Indirect participants, such as third-party agents, must also comply, with direct participants being liable for their actions. The VCR/VPSR are confidential but partially available publicly, and non-compliance can result in fines, investigations, or prohibitions. Visa monitors compliance through the Risk team and may impose additional controls if necessary.

Standard 14: Tiered Participation Arrangements

A PPS should identify, monitor and manage the material risks to the PPS arising from tiered participation arrangements.

All Visa customers must comply with access requirements in Standard 13 and execute an agreement *per* Standard 1, establishing a contractual relationship with Visa Canada and adherence to VCR/VPSR standards. Visa Canada defines participation as direct (Principal Customers with direct liability and a license to issue/acquire payment transactions) or indirect (entities sponsored by Principal Customers with a license and agreements with both the sponsor and Visa Canada).

Indirect participants undergo an onboarding process and continuous engagement, allowing Visa Canada to gather information and manage credit risks. Tiered participation, where direct participants provide services to indirect entities, can create credit exposure risks, which are evaluated regularly. The CSR team monitors these risks monthly, reviewing exposure and financial safeguards. New customers must execute a Services Agreement mandating compliance with VCR/VPSR and applicable laws. Visa Canada monitors tiering risk quarterly and approves new associate customers based on credit risk impact. Visa manages ecosystem resilience by tracking incidents and monitoring concentration risks and trends. Non-compliance risks are managed through proactive and reactive programs. Visa Canada adopts a global ERMF,



approved by the Corporate Risk Committee, for mitigating actions. Visa Canada's Risk function oversees ecosystem risk management in Canada, ensuring the security and integrity of Visa's payment ecosystem.

Standard 15: Efficiency and Effectiveness

A PPS should be efficient and effective in meeting the requirements of its participants and the markets it serves, with a particular consideration for the interests of end-users.

Visa Canada operates in a competitive and dynamic market, necessitating continuous innovation to meet evolving service user needs while managing costs to ensure profitability. Visa Canada's services are designed to meet the needs of its customers, including Merchants, Cardholders, Acquirers, and Card Issuers, through efficient and effective Clearing and Settlement, advanced technology, and a wide range of payment products. Visa Canada invests in new payment technologies, such as contactless, mobile payments, tokenized transactions, and APIs, while maintaining critical transaction processing capabilities with high availability and low latency. Utilizing internationally accepted communication and processing standards, Visa Canada collaborates with industry standards bodies to introduce and revise standards based on customer demand. Visa Canada offers diverse payment instruments, including business, commercial, credit, debit, prepaid, and virtual cards, tailored to various customer needs. The ERMF defines and measures efficiency and effectiveness goals, supported by internal audits and external assessments, ensuring robust control and operational resilience.

Standard 16: Communication Procedures and Standards

A PPS should use communication procedures and standards that meet common industry practices and use or accommodate relevant internationally accepted communication procedures and standards to facilitate efficient payment clearing, settlement and recording.

Visa Canada collaborates with payments industry standard bodies, such as ISOs, to review, revise, and apply internationally accepted communication and processing standards for Visa operations. For authorization transaction processing, Visa utilizes the ISO standard, enhanced for the Visa processing system. For Clearing and Settlement, Visa uses its proprietary BASE II Clearing interchange format. As a registered "Supervised Financial Entity" user of SWIFT, Visa Canada leverages the SWIFT network for funds transfer across its Settlement services, using standardized SWIFT message types for bank-to-bank transfers and real-time monitoring of Settlement accounts. Visa Canada continually works with the payments industry to implement and promote new standards, responding to Customer demand and enhancing the efficiency and effectiveness of the payments industry.

Standard 17: Disclosure of rules, key procedures and market data

A PPS should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees and other material costs they incur by participating in the PPS. All relevant rules and key procedures should be publicly disclosed

Visa Canada updates its Visa Rules every six months, sharing these updates with regulators, clients, and the public. A summary of changes is included in each publication for clarity. Visa Canada's legal framework, including its agreements and Visa rules, establishes clear participation rules and procedures. Visa Canada ensures new products or rule changes comply with Canadian laws through comprehensive legal reviews. The Visa Rules emphasize that applicable law takes precedence over any conflicting rule or procedure. Visa Canada maintains rigorous procedures to manage non-routine events and communicates rule changes to Customers *via* Visa Business News articles on its secure platform. The VCR/VPSR, published twice annually, outline customers' rights and obligations, with a public version available online at visa official website. Major system changes are communicated through Business Enhancement Releases, supported by technical letters and real-time assistance. Visa Canada provides detailed fee schedules to customers, reviewed and updated regularly, with fee changes communicated six-months in advance. Visa Canada publishes a summary of its PPS self-assessment on its website and discloses quantitative information such as financial results. Visa Canada ensures customers have access to necessary information and training to manage participation risks and obligations effectively.

Standard 18: Recovery Plans

A PPS is expected to identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. This entails preparing appropriate plans for its recovery or orderly wind-down based on the results of that assessment.

Visa’s Global Operational Resilience Program follows a structured cycle of assessment, planning, exercising, and training guided by regulatory standards. The global program includes dedicated staff who develop and maintain business and technical recovery plans and manage on-call crisis management teams. The program consists of four integrated disciplines: Crisis Management, Business Continuity Management, Vendor Resilience, and IT Disaster Recovery. The Chief Risk Officer of Visa is the Policy Owner and Program Executive Sponsor, while the Senior Vice President of Operational Resilience is the Program Owner. Visa maintains comprehensive life safety and business incident response plans and business continuity plans, which are reviewed and updated annually. The efficacy of these plans is validated through annual scenario-based exercises to ensure resilience.

Visa has a robust liquidity risk management framework in place to address potential financial stress. As outlined in Standard 6, Visa Canada’s parent company maintains sufficient liquidity to cover any potential financial losses. Additionally, Visa's liquidity adequacy is tested daily, with regular reports submitted to senior leadership.

In the event of a client wind down, the CSR Team retains client collateral until all obligations are settled and confirms zero settlement exposure. Visa Canada has access to sufficient liquid resources, including Visa liquidity pools, to cover participant defaults and other risks.

Appendix – Defined Terms

- BIS Bank for International Settlements
- BoE Bank of England
- COSO Committee of Sponsoring Organizations of the Treadway Commission
- CSR Credit Settlement Risk
- ERMF Enterprise Risk Management Framework
- FBA Federal Banking Agencies
- ISS International Settlement Service
- MRM Model Risk Management
- ORMF Operational Risk Management Framework
- PFMI Principles for Financial Market Infrastructures
- PPS Prominent Payment System
- RAF Risk Appetite Framework
- RCSA Risk and Control Self-Assessments
- RTGS Real-time Gross Settlement
- TLMP Third Party Lifecycle Management Program
- 3LOD Three Lines of Defence
- VBN Visa Business News
- VCR/VPSR: Visa Core Rules / Visa Product Service Rules