

The logo for Aite Novarica, featuring the word "Aite" in white with three small orange dots above the letter 'i', followed by "Novarica" in white. The background is a blue gradient with a faint, large watermark that reads "Not for distribution - for CPPD members only".

AiteNovarica

APRIL 2022

CANADIAN OPEN-LOOP PREPAID CARD MARKET

2021 RESULTS AND FORECAST
UPDATE

—

FRANCISCO ALVAREZ-EVANGELISTA

IMPACT REPORT

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SUMMARY AND KEY FINDINGS

The COVID-19 pandemic's volatility and uncertainty affected all aspects of banking. While the pandemic undoubtedly created many challenges, it also created significant opportunity within financial services. The Canadian open-loop prepaid card market—representing a diversity of market participants that deliver everything from open-loop gift cards to corporate-funded prepaid cards—was no exception.

The key findings from this report follow:

- **Canadian open-loop prepaid is resilient:** The Canadian open-loop prepaid card market continues to see consistent growth, staying resilient and posting gains against multiple factors, including the COVID-19 pandemic, an economic recession, and rapidly changing consumer habits.
- **2021 was a great year for Canadian open-loop prepaid:** Total loads on all Canadian open-loop prepaid card accounts grew from an estimated CA\$7.2 billion in 2020 to about CA\$8.5 billion in 2021, an 18% increase and up 76% since 2019.
- **Forecasting this market through 2025:** The Canadian open-loop prepaid card market will continue to grow at a consistent pace and is expected to exceed CA\$17 billion in annual loads by 2025.
- **Growing average load value:** Aite-Novarica Group projects that the average load per Canadian open-loop prepaid card account will grow steadily from CA\$156 per card account in 2020 to CA\$213 by 2025.
- **The factors influencing this market:** Canadian open-loop prepaid card growth will be driven by a multitude of factors, including the broader transition away from cash and checks and toward digital platforms—a trend heightened by the COVID-19 pandemic—as well as the usage of prepaid card rails to drive new payment innovations, such as buy now, pay later (BNPL) initiatives, instant issuance commercial cards, and other B2B cards; an accelerated market evolution of legacy prepaid programs, such as consumer general-purpose reloadable (GPR) cards, into competitive digital banking alternatives; and e-commerce-driven open-loop gift cards.

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INTRODUCTION

The COVID-19 pandemic's volatility and uncertainty affected all aspects of banking. While the pandemic undoubtedly created many challenges, it also created significant opportunity within financial services. The Canadian open-loop prepaid card market—representing a diversity of market participants that deliver everything from open-loop gift cards to corporate-funded prepaid cards—was no exception.

With the upheaval and immediate need to adjust to a new normal, Canadian prepaid providers were quick on their feet to accommodate a more digital-first and quickly adapting Canadian consumer. For many providers, it paid off. But now, as more and more Canadians acclimate to the pandemic's next stage—one where in-person shopping, travel, and a general “return to normal” becomes ubiquitous—prepaid providers and supporters must remain diligent in keeping Canadian prepaid's momentum going. It just happens that data from the second half of 2021 is telling a story: The Canadian open-loop prepaid card market has continued to flourish.

Aite-Novarica Group estimates that total loads on all Canadian open-loop prepaid card accounts grew from an estimated CA\$7.2 billion in 2020 to about CA\$8.5 billion in 2021, an 18% increase and up 76% since 2019. Aite-Novarica Group forecasts that this market will see total annual loads on all open-loop prepaid card accounts reach CA\$17.2 billion by 2025.

This Impact Report is the second iteration of a previous report published in October 2021¹ that summarized the Canadian open-loop prepaid card market's resiliency throughout the peak of the COVID-19 pandemic (Q1 2020 to Q2 2021). This second report finalizes Aite-Novarica Group's market sizing through the end of 2021 and refreshes the forecast through 2025.

METHODOLOGY

The Canadian Prepaid Providers Organization (CPPO), the leading industry group representing the Canadian open-loop prepaid card market and its participants, commissioned Aite-Novarica Group to size and forecast the Canadian open-loop prepaid card market through 2025.

¹ See Aite-Novarica Group's report [Canadian Open-Loop Prepaid Card Market Forecast: 2019 to E2025](#), October 2021.

Aite-Novarica Group collected data elements corresponding to Q3 2021 and Q4 2021 from multiple issuers, program managers, and card processors operating in Canada to compile the sizing and forecast. Data points collected include the following:

- Total number of open-loop accounts by quarter
- Total dollar amount loaded to all open-loop accounts
- Number of new card accounts sold/acquired
- CA\$ dollar amount and loads to new card accounts

This data—along with Q1 2020 through Q3 2021 data used in the previous installment of this report—was sourced directly from various market participants. All responses were then aggregated and anonymized.

The majority of participants in this effort were CPPO members. Respondents make up most of the Canadian open-loop prepaid card market. Aite-Novarica Group also interviewed non-CPPO members and other market influencers to capture the greater picture of the Canadian open-loop prepaid card and its place in the Canadian economy.

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THE MARKET

Table A outlines a few of the key trends impacting the Canadian open-loop prepaid card market, along with their implications.

TABLE A: THE MARKET

MARKET TRENDS	MARKET IMPLICATIONS
<p>The COVID-19 pandemic influenced consumer habits. These are remaining sticky.</p>	<p>The COVID-19 pandemic was a boon for the prepaid card market. Prepaid providers were quick to pivot to digital use cases and e-commerce, and some of this growth and related trends are enduring post-pandemic. New and evolving use cases for prepaid cards that emerged or accelerated during the pandemic continued innovation of legacy products, such as consumer GPR cards into challenger bank use cases, e-commerce-driven B2B prepaid programs, expense management cards, and an overall Canadian consumer migration toward digital and e-commerce platforms. These factors propelled prepaid cards to new heights. Consumers aren't necessarily ready to let go of these new habits.</p>
<p>A reopening Canadian economy encourages prepaid card use and spending.</p>	<p>As the Canadian economy reopens and more Canadians become comfortable with traveling, a pivot toward in-person transactions—and thus, physical prepaid cards—is likely. Throughout the last quarter of 2021, prepaid providers of consumer GPR cards and other, more niche use cases in prepaid cards, such as reloadable travel cards, saw growth compared to Q4 2020. As pandemic-related restrictions ease, Aite-Novarica Group expects this trend to accelerate—but not necessarily supersededigital growth.</p>

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MARKET TRENDS	MARKET IMPLICATIONS
<p>Prepaid programs continue to be a trend-setter.</p>	<p>Prepaid programs in Canada are trendsetters in the greater fintech and financial services arena—and this concept didn't slow down during the pandemic. Consumer GPR card programs and providers—the largest segment of the open-loop prepaid card market—have built digital-first banking alternatives that pioneered simple fee models, child/teen banking, instant access to pay, and digital issuance. These “alternative” financial services and concepts have drawn consumer attention to notable providers in this space. They are becoming mainstream, with prepaid technology as the common denominator for innovation.</p>

Source: Aite-Novarica Group

MARKET ASSUMPTIONS

While Aite-Novarica Group's analysis paints a positive outlook for the Canadian open-loop prepaid card market, some key assumptions underlie this analysis:

- Aite-Novarica Group's forecast does not account for unpredictable market disruptions such as recurring pandemic-related lockdowns, general Canadian economic downturns impacting this market, wartime, or significant changes in the Canadian regulatory environment.
- Some open-loop prepaid card market segments are consolidated among fewer, larger programs and prepaid providers. Therefore, any market exits or program-specific wind-downs will disproportionately impact Aite-Novarica Group's forecasts.
- Conversely, Aite-Novarica Group's forecast does not entirely account for new market entrants or new use cases in prepaid programs not yet identified. Instead, Aite-Novarica Group will, on a best-effort basis, continue to track the evolving Canadian open-loop prepaid card market and adjust its forecast to account for changes as they occur year over year.

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CANADIAN OPEN-LOOP PREPAID CARD TYPES

Aite-Novarica Group organizes Canadian open-loop prepaid cards into three primary segments: consumer-funded, corporate-funded, and government-funded. Each is described in the following paragraphs and shown in Figure 1.

CONSUMER-FUNDED

Consumer-funded prepaid card programs are prepaid cards that are solely offered to and acquired by a consumer for consumer use—single use/single load or reloadable. Consumer-funded prepaid card programs include GPR, reloadable travel, open-loop gift, restricted access network (RAN)/multi-merchant gift, and single-load general-purpose cards.

Some Canadian challenger banks also utilize consumer-funded, reloadable GPR cards as a bank account alternative for Canadian consumers. These consumer-funded GPR cards often include advanced digital banking features that meet or exceed what consumers expect from incumbent brick-and-mortar banks, although issued as a prepaid card rather than on a debit program. As the process of acquiring a bank license in Canada can be lengthy and expensive, challenger banks entrust prepaid technology and their prepaid partners to accelerate and simplify their go-to-market strategy, which, in turn, benefits the prepaid card market as a whole.

CORPORATE-FUNDED

Corporate-funded programs are funded by a corporation or business for a consumer or business end user. These cards can be single use, single load or reloadable. Corporate-funded programs have especially gained traction in the last few years, finding new use cases that accelerate growth for providers and the greater prepaid card market. Corporate-funded programs include payroll, employee benefits and incentives, partner incentives, insurance claims, purchasing/corporate expense, accounts payable—and more recently—single purpose (e.g., BNPL), and on demand delivery.

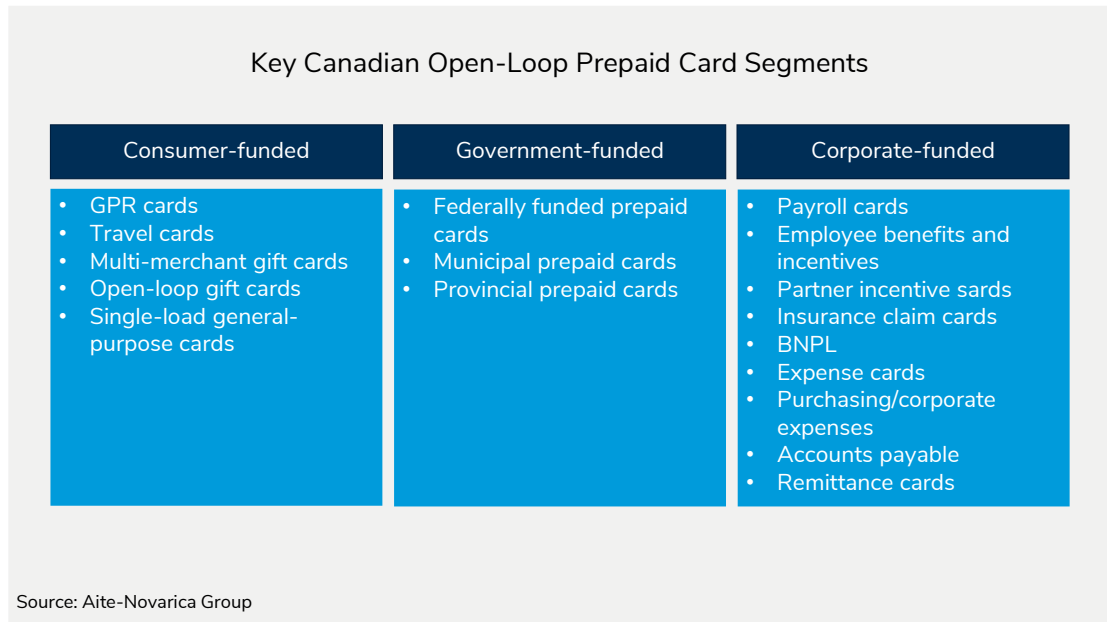
GOVERNMENT-FUNDED

Government-funded programs are offered and acquired through a government entity and are used as a vehicle to distribute funds for the benefit of Canadian residents. While some government-funded prepaid programs are reloadable by the cardholder—usually a

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consumer—the key differentiator between a government-funded prepaid card program and a consumer-funded prepaid card program is the acquisition channel. A government-funded prepaid card program originates with an agency. This contrasts with consumer-funded reloadable programs that may receive loads from government sources (such as unemployment), although the cards were acquired through other consumer channels (such as online or via a retailer). Canada’s government-funded prepaid card programs can originate with federal, municipal, or provincial agencies (Figure 1).

FIGURE 1: CANADIAN OPEN-LOOP PREPAID CARD SEGMENTS



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CANADIAN OPEN-LOOP PREPAID CARD MARKET SIZING AND FORECAST

Using data aggregated and anonymized from market participants, Aite-Novarica Group estimated and forecast various aspects of the Canadian open-loop prepaid card market, including total annual loads, total number of open-loop card accounts, and averages corresponding from 2020 through 2025, including quarterly analyses for 2020 through 2021. Estimates from 2019 originate from a previously commissioned CPPO market study and help to provide a fuller picture of the market prior to 2021.

Although some prepaid card accounts can have more than one prepaid card tied to that account (e.g., replacement cards or cards for secondary, authorized users), Aite-Novarica Group used *prepaid card* accounts as the basis for this research and not *prepaid cards*.

TOTAL LOADS ON CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS, ANNUAL BREAKDOWN

Total loads on all Canadian open-loop prepaid card accounts grew from an estimated CA\$7.2 billion in 2020 to about CA\$8.5 billion in 2021, an 18% increase and up 76% since 2019. The COVID-19 pandemic was a boon for the prepaid card market, and some growth has remained sticky even as the pandemic subsides. This is the result of several factors:

- **Use cases:** New use cases for prepaid cards that exploded during the pandemic, including prepaid card programs tied to use cases in the gig economy or BNPL-related programs settling on virtual prepaid card rails, remain relevant and continue to post-growth, even as more Canadians ease into a post-pandemic Canada.

One stand-alone use case example is BNPL. It has largely been enabled via providers' digital marketplaces or as a payment option on merchants' websites and is gaining traction among Canadian consumers even as in-person shopping rebounds. In addition, while a November 2021 BNPL study commissioned by the Financial Consumer Agency (FCA) of Canada² and a July 2021 Aite-Novarica Group

² "Pilot Study: Buy Now, Pay Later Services in Canada," Financial Consumer Agency of Canada, November 18, 2021, accessed April 6, 2022, <https://www.canada.ca/en/financial-consumer-agency/programs/research/pilot-study-buy-now-pay-later-services-in-canada.html>.

U.S. study³ found similar experiences among Canadian and American users of BNPL, the FCA's Canadian consumer BNPL adoption rate of 8% pales in comparison to Aite-Novarica Group's estimate that 47% of American adults have made a BNPL purchase. This reveals a significant adoption gap between the two neighboring economies. As global providers of BNPL announce Canadian expansion plans,⁴ Canadians' adoption of BNPL at checkout will likely continue to grow throughout 2022—and, in turn, accelerate the use of open-loop prepaid cards as a virtual settlement tool.

- **Digitalization:** Digitalization of prepaid programs continues to meet the expectations of the digital-savvy Canadian consumer. While there was already a move toward digitalizing legacy prepaid programs such as open-loop gift cards or consumer GPR cards before 2020, the COVID-19 pandemic and lockdowns kicked this into full gear. Canadian prepaid providers were quick on their feet to match rapidly evolving consumer habits.

Certain digital-first programs, such as consumer GPR programs leveraged by Canadian digital challenger banks to go to market, continue to gain traction among Canadian consumers looking for checking account alternatives or for a better, cost-effective way to bank. Coupled with next-generation features and functionality such as earned wage access (EWA), quick and efficient digital account opening (DAO), accessible fee and rate offers, and creative, forward-thinking money management capabilities, Canadian digital challenger banks remain a competitive threat to incumbent financial institutions.

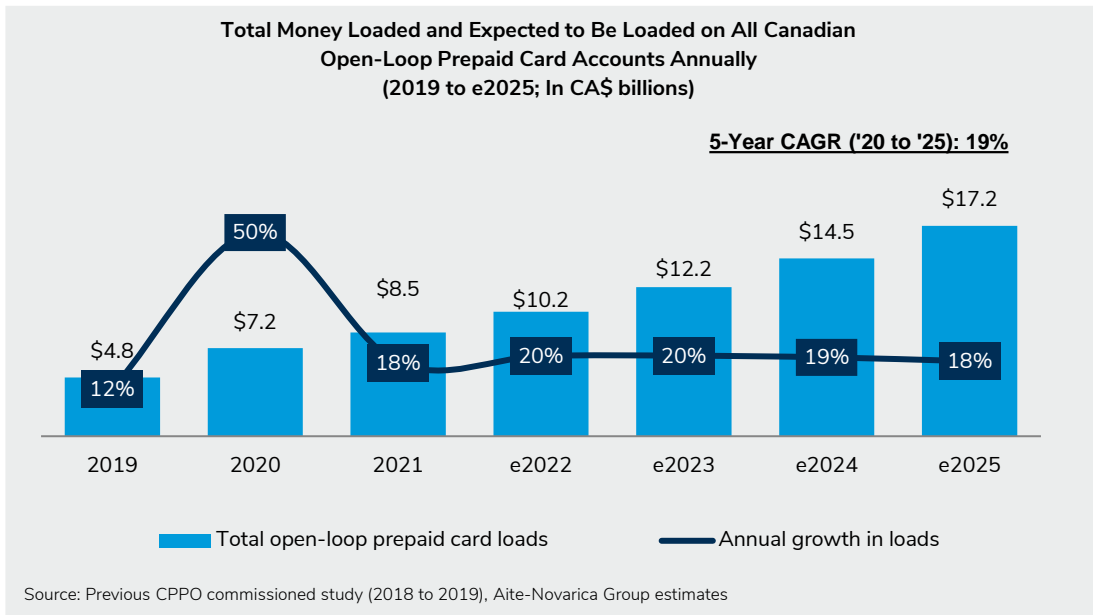
- **Return of activity:** As Canadians mulled in-person shopping and travel plans, prepaid programs that took a hit during the pandemic, such as reloadable travel cards, saw increased activity, spiking in Q4 2021. While these programs represent a sliver of the Canadian open-loop prepaid card market, resurgent consumer interest in them highlights that growth opportunities in prepaid cards aren't just tied to digital programs.

³ See Aite-Novarica Group's report [Buy Now, Pay Later: Socioeconomic and Demographic Factors Impacting the U.S. Consumer Experience](#), February 2022.

⁴ "Klarna Expands to Canada With Flexible 'Pay in 4' Service and Shopping App, While Announcing Major Investment in Local Economy," Klarna Bank AB, February 22, 2022, accessed April 11, 2022, <https://www.prnewswire.com/news-releases/klarna-expands-to-canada-with-flexible-pay-in-4-service-and-shopping-app-while-announcing-major-investment-in-local-economy-301487360.html>.

Aite-Novarica Group expects the Canadian open-loop prepaid card market to continue to grow between 18% to 20% year over year, reaching approximately CA\$17.2 billion in total loads by 2025 (Figure 2).

FIGURE 2: TOTAL MONEY LOADED AND EXPECTED TO BE LOADED ON ALL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS ANNUALLY



TOTAL LOADS ON CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY CARD TYPE

For the purposes of this analysis, and due to limited data in certain prepaid program segments, Aite-Novarica Group breaks down Canadian open-loop prepaid card load volume into three categories: consumer-funded GPR, open-loop gift/RAN, and all other prepaid card programs—including consumer-, corporate-, and government-funded programs of all types that are not GPR or open-loop gift/RAN.

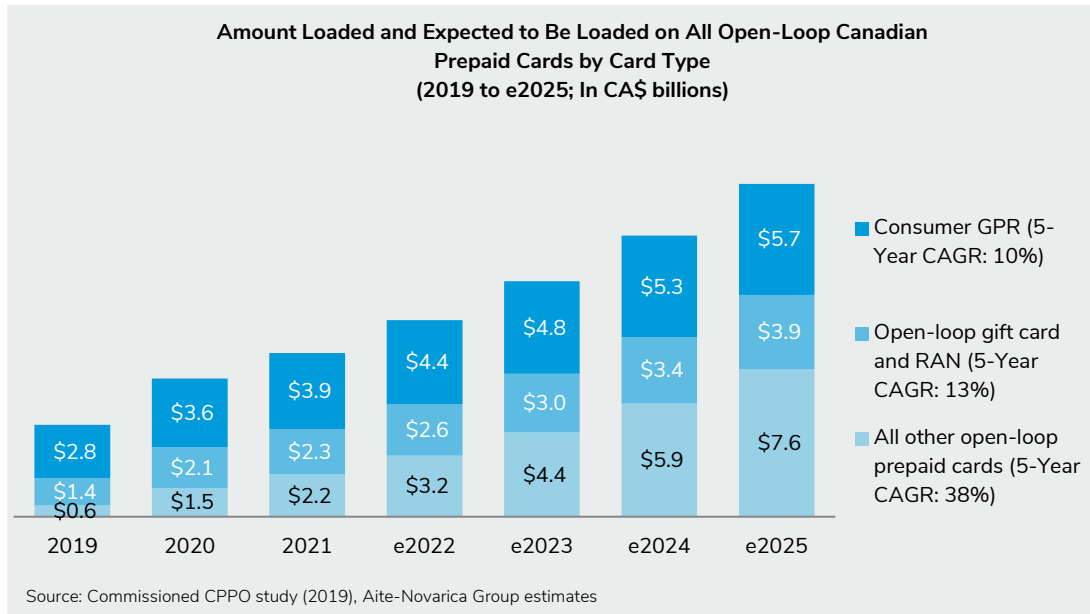
Consumer GPR programs accounted for almost half of all Canadian open-loop prepaid card loads in 2020, with total loads of approximately CA\$3.9 billion, up 10% since 2021. Aite-Novarica Group estimates that the Canadian consumer GPR segment will continue to grow at a compound annual growth rate (CAGR) of about 10% through 2025.

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Given current parameters and historical trends, Aite-Novarica Group expects the category of “other” open-loop prepaid card programs—which includes a wide variety of emerging use cases and program types—to account for a plurality of the market by 2025.

Open-loop gift and RAN cards registered CA\$2.3 billion in total loads in 2021. While these programs had their best year thus far in 2021, Aite-Novarica Group forecasts a CAGR of about 13% for this prepaid card segment (Figure 3).

FIGURE 3: AMOUNT LOADED AND EXPECTED TO BE LOADED ON ALL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY CARD TYPE



TOTAL LOADS ON CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY QUARTER

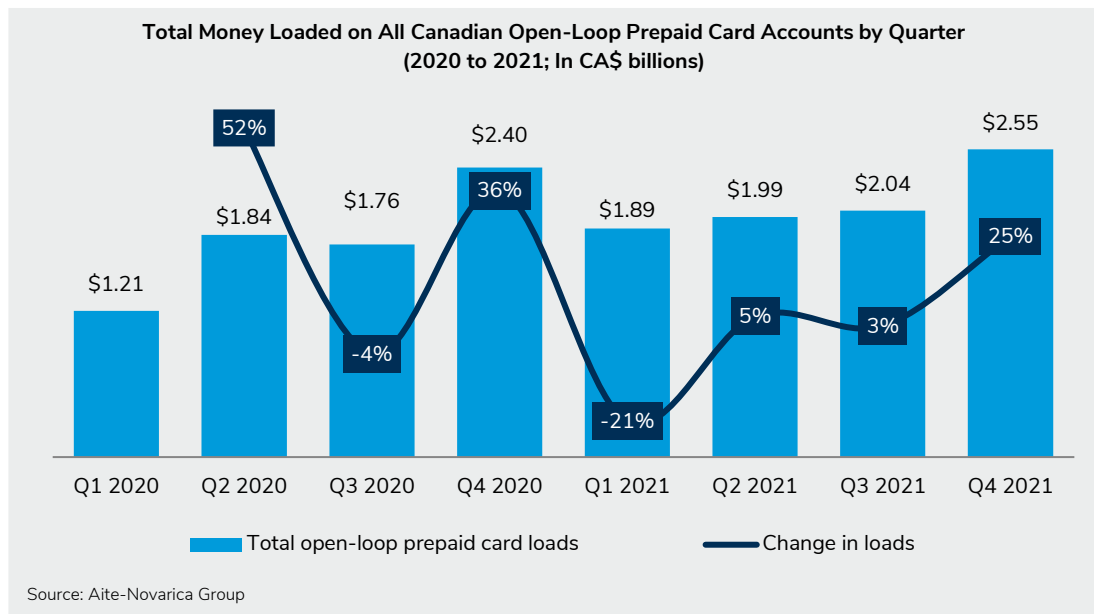
Diving into quarterly data, Aite-Novarica Group estimates that the significant increase in load values seen in Q2 2020 was driven predominantly by pandemic relief spending by government agencies, such as the Canadian Emergency Response Benefit (CERB), and a broader transition away from cash toward digital payment methods. It was also likely aided by annual tax refunds. Due to the holiday season, open-loop prepaid card loads increased by 36% between Q3 2020 and Q4 2020. While experiencing significant pandemic-related growth in load values in Q2 2020, year-on-year comparisons show

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that the total load values in Q1 and Q2 2021 remained significantly elevated from the previous year and that growth did not slow throughout 2021.

Instead, total loads on all Canadian open-loop prepaid cards in Q4 2021 exceeded CA\$2.5 billion, a new record for the Canadian open-loop prepaid card market (Figure 4).

FIGURE 4: TOTAL MONEY LOADED ON ALL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY QUARTER

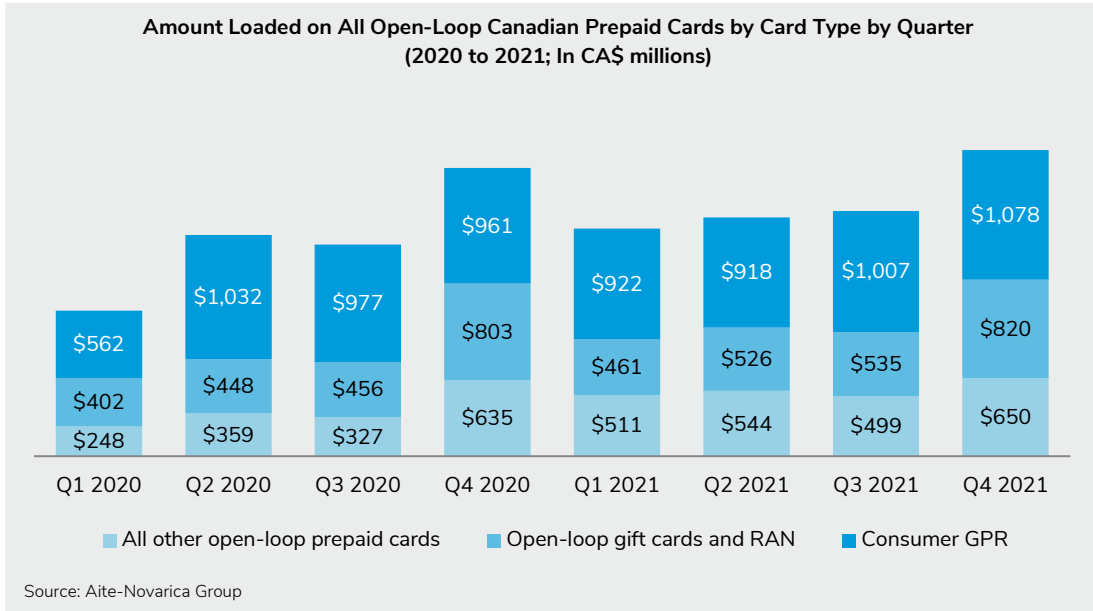


AMOUNT LOADED ON ALL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY CARD TYPE BY QUARTER

Total loads on all Canadian open-loop consumer GPR cards reached approximately CA\$1.08 billion in Q4 2021, while total loads reached CA\$820 million on all open-loop and RAN gift cards and CA\$650 million on all other open-loop prepaid cards. These are the highest quarterly values registered thus far across all three segments in this analysis (Figure 5).

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FIGURE 5: TOTAL MONEY AMOUNT LOADED ON ALL OPEN-LOOP CANADIAN PREPAID CARDS BY CARD TYPE BY QUARTER

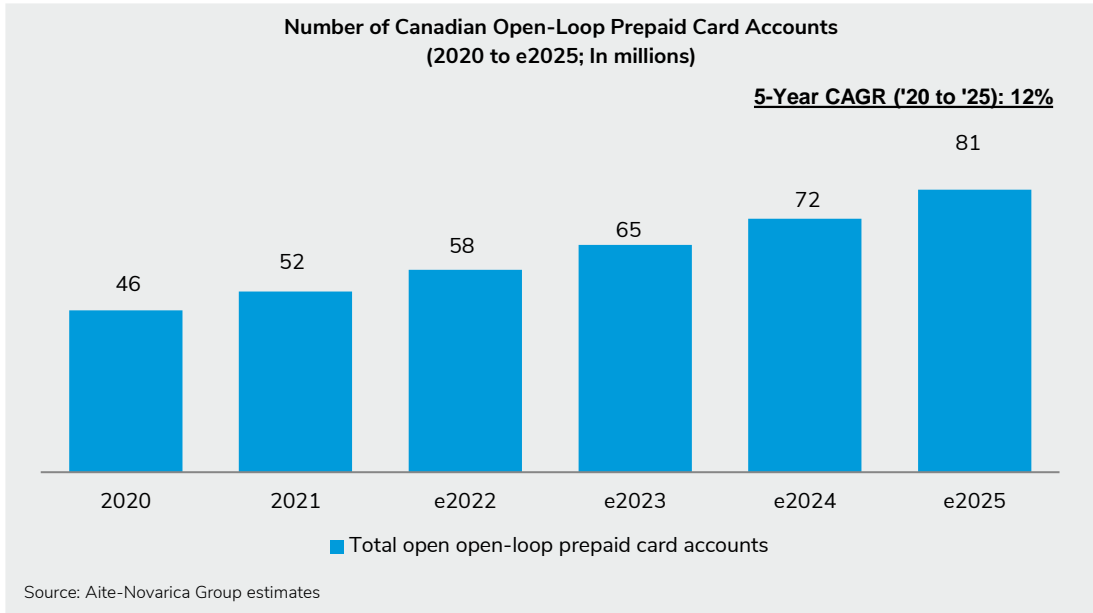


TOTAL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS

There were approximately 46 million open-loop prepaid card accounts in Canada by year-end 2020, growing to about 52 million by year-end 2021. While Aite-Novarica Group initially estimated that this number was going to grow to approximately 54 million by year-end 2021, the market registered a slightly slower-than-forecasted number of accounts growth in Q4 2021 in the open-loop gift card and RAN segment, which required a readjustment in Aite-Novarica Group’s forecast. Aite-Novarica Group estimates that the total number of Canadian open-loop prepaid card accounts will reach 81 million by 2025. However, this number may fluctuate based on what the market experiences throughout 2022 to 2024 (Figure 6).

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FIGURE 6: NUMBER OF CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS

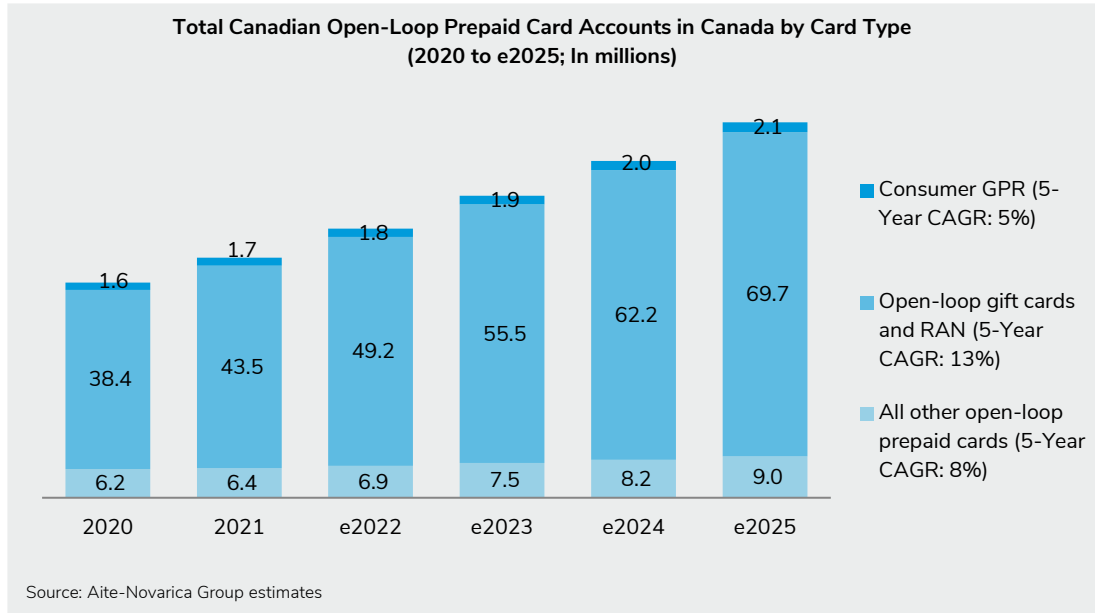


TOTAL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY CARD TYPE

Open-loop gift card and RAN-type prepaid card accounts continue to make up the bulk of the total number of Canadian open-loop prepaid card accounts, growing from an estimated 38.4 million in 2020 to about 43.5 million in 2021 (Figure 7).

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FIGURE 7: TOTAL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY CARD TYPE

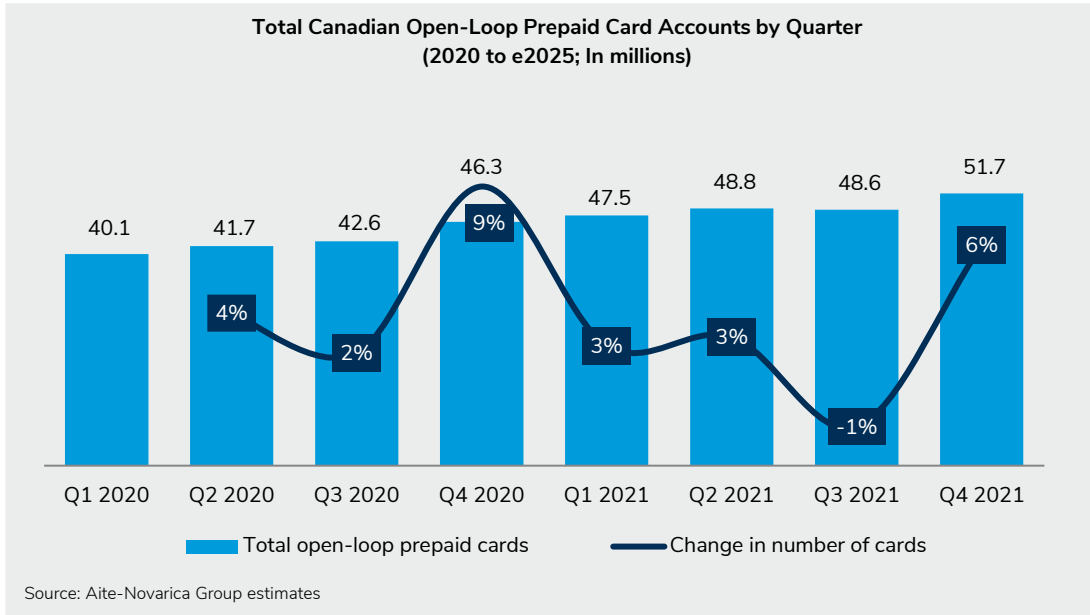


TOTAL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY QUARTER

Diving into quarterly data, total Canadian open-loop prepaid card accounts grew steadily from 40.1 million card accounts at the end of Q1 2020 to 51.7 million by year-end 2021, seeing the largest growth in Q4 2020. Given the sheer number of open-loop gift cards and RAN-type cards compared to other open-loop prepaid card types and the seasonal increases associated with the holidays, both Q4 2020 and Q4 2021 registered the largest growth in the total number of open-loop prepaid card accounts quarter over quarter (Figure 8).

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FIGURE 8: TOTAL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY QUARTER



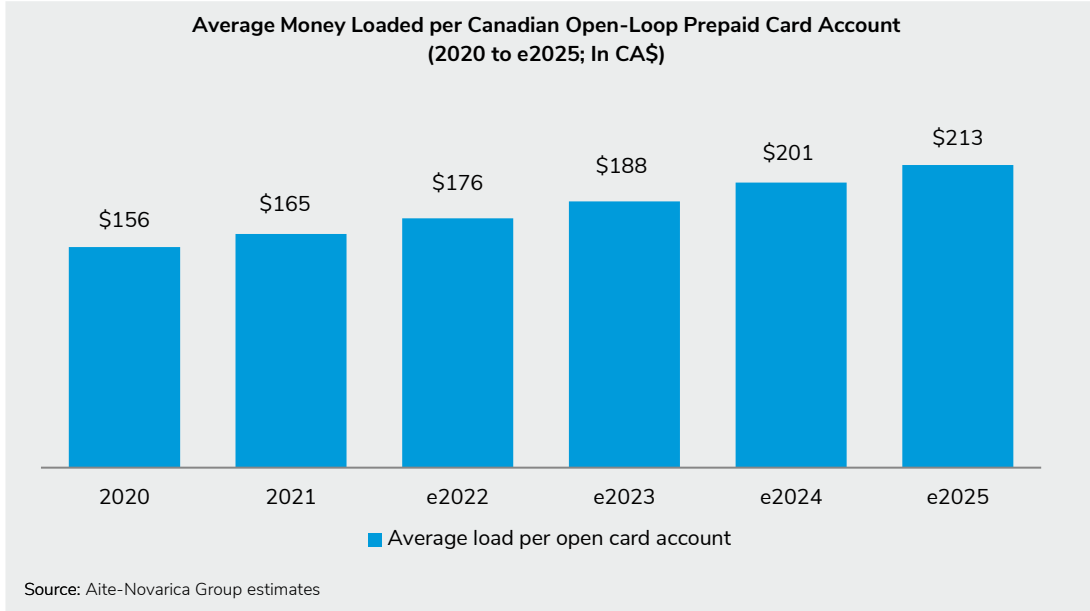
AVERAGE MONEY LOADED PER CANADIAN OPEN-LOOP PREPAID CARD ACCOUNT

Aite-Novarica Group projects that the average load per Canadian open-loop prepaid card will grow steadily from CA\$156 per card account in 2020 to CA\$213 by 2025 (Figure 9). While Aite-Novarica Group’s October 2021 study forecast that this number would grow to CA\$184 by 2025, it has been revised upward. The new forecast is due to the better-than-expected performance of consumer GPR, government-loaded, and reloadable travel programs during Q3 and Q4 2021—prepaid program types that carry much higher average balances than nonreloadable, single-use programs, such as open-loop gift cards—and due to expected, shorter-term inflation throughout 2022.⁵

⁵ Julie Gordon and Fergal Smith, “Canadian Inflation Seen Peaking at or Above 6%; More Rate Hikes in the Cards,” Reuters, March 17, 2022, accessed April 6, 2022, <https://www.reuters.com/world/americas/canadian-inflation-seen-peaking-or-above-6-more-rate-hikes-cards-2022-03-17/#:~:text=All%20six%20economists%20surveyed%20now,%2Dquarter%20inflation%20of%203.0%25>.

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FIGURE 9: AVERAGE MONEY LOADED PER CANADIAN OPEN-LOOP PREPAID CARD ACCOUNT

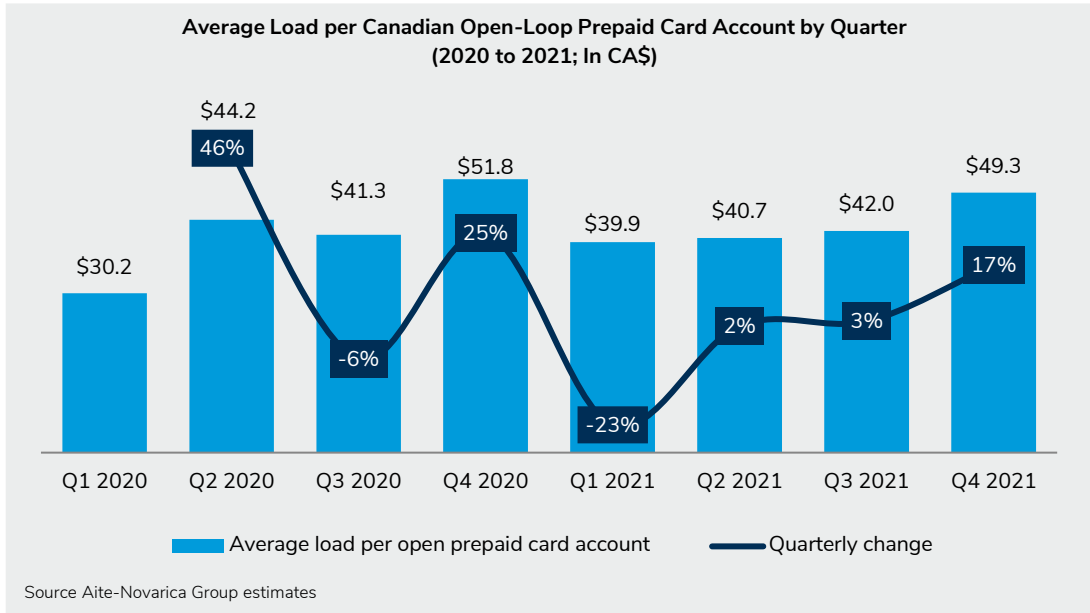


AVERAGE MONEY LOAD PER OPEN-LOOP CANADIAN PREPAID CARD ACCOUNT BY QUARTER

Looking closely at quarterly data, Canadian open-loop prepaid card average loads per quarter change parallel to the total load value, cresting during the holiday period. Average load per Canadian open-loop prepaid card account hits its highest during Q4 2020, at CA\$51.8 dollars per prepaid card account (Figure 10).

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FIGURE 10: AVERAGE LOAD PER CANADIAN OPEN-LOOP PREPAID CARD ACCOUNT BY QUARTER

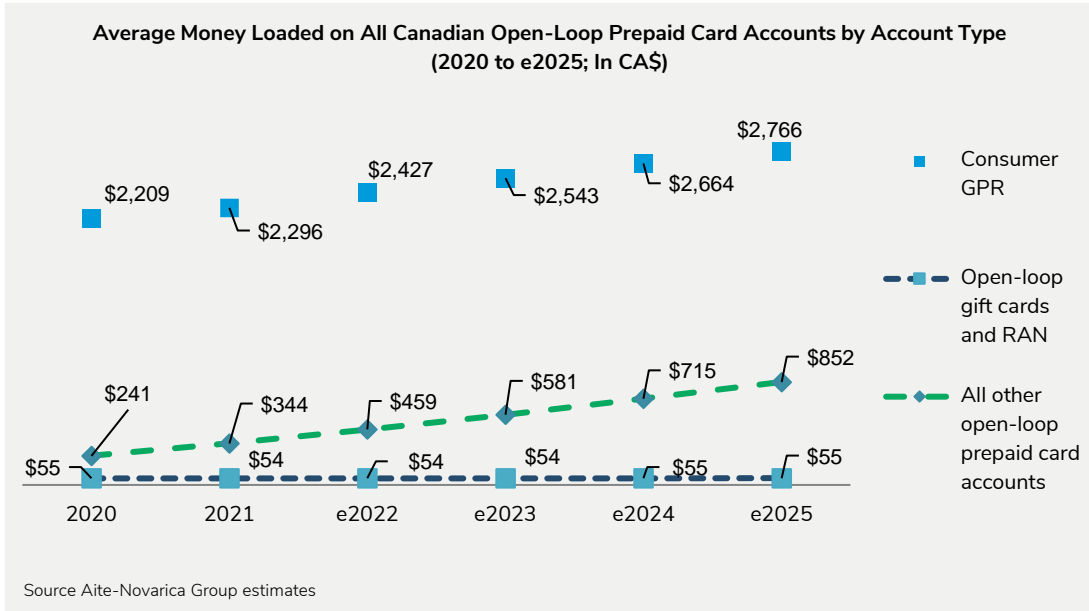


AVERAGE MONEY LOAD PER CANADIAN OPEN-LOOP PREPAID CARD ACCOUNT BY CARD TYPE

Given GPR cards’ reloadability and use case, consumer GPR cards have the highest average annual amount loaded per prepaid card account, at approximately CA\$2,296 in 2021. All other open-loop prepaid card accounts’ annual average load per prepaid card account is expected to grow from CA\$241 to CA\$852, accelerated by a few popular corporate-loaded GPR-like programs, a resurgence in reloadable travel programs, growth in government-loaded programs, and potential new use cases for prepaid cards (Figure 11).

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FIGURE 11: AVERAGE MONEY LOADED ON ALL CANADIAN OPEN-LOOP PREPAID CARD ACCOUNTS BY CARD TYPE



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COMPARING THE U.S. AND CANADIAN OPEN-LOOP PREPAID CARD MARKETS

With so many similarities between the U.S. and Canadian open-loop prepaid card markets—especially in terms of structure (e.g., with most prepaid issuing occurring on a bank identification number (BIN) sponsorship model)⁶ and in the overlap of providers and leaders that influence both markets—there's value in comparing the size and scope of both markets.

While Aite-Novarica Group has not conducted a formal market sizing or forecast of the U.S. open-loop prepaid card market, the Nilson Report found that the top 25 U.S. issuers of prepaid cards registered US\$259.50 billion in purchase volume in 2020. Given that the U.S. prepaid issuing market is largely centralized among a few, larger issuers and 2020's 25th largest issuer of prepaid cards only registered US\$108 million in purchase volume, it's safe to assume that the top 25 issuers' collective US\$259.50 billion in purchase volume accounts for an overwhelming majority of the U.S. volume.⁷

While Aite-Novarica Group's Canadian analysis uses total loads as the denominator, purchase volume trails actual account loads, and not all prepaid accounts loads are spent down in any given year. While imperfect, taking these numbers one-for-one, Aite-Novarica Group's estimate of total loads on all Canadian open-loop prepaid card accounts in 2020 (CA\$7.2 billion, or about US\$5.7 billion as of April 2021) corresponds to about 2% of the U.S. open-loop prepaid card market. In other words, even though the U.S. has a population about 10 times larger than Canada's, the U.S. open-loop prepaid card market is approximately 50 times larger than Canada's.

This back-of-a-napkin comparison outlines that prepaid card use is far more common in the U.S. than in Canada. This can be attributed to two primary reasons:

- First and foremost, the U.S. has a far larger unbanked and underbanked population⁸ that has historically relied on prepaid cards such as GPR to join the fold. Aite-Novarica Group estimates that 11% of U.S. adults do not own a true

⁶ See Aite-Novarica Group's report [U.S. Prepaid Issuance: A Market at a Crossroads](#), June 2021.

⁷ "Nilson Report, Issue #1204," Nilson Report, September 2021, accessed April 14, 2022, https://nilsonreport.com/publication_newsletter_archive_issue.php?issue=1204.

⁸ See Aite-Novarica Group's report [Account Ownership and Digital Access: Consumer Financial Services in Germany, the U.K., and the U.S.](#), February 2022.

checking account; conversely, this number is lower in Canada, with ranges between 3%⁹ and 6% reported.¹⁰

- Second, government-loaded programs are far more prevalent in the U.S. and represent a sizable percentage of the U.S. open-loop prepaid card market. While a few exist in Canada, these types of programs are far more common in the U.S. A 2021 Aite-Novarica Group survey of 2,030 U.S. users of prepaid cards found that 40% of U.S. adults own or have used some type of government benefits-tied prepaid card during the survey period and another 20% used a prepaid card designed to primarily receive a tax refund. An additional 14% used a prepaid card with disaster relief-type funds preloaded. These three prepaid card types also registered the highest average spend among all prepaid card types, with 40% of tax refund card users reporting spending more than US\$1,000 on their tax refund cards alone.¹¹ In addition, prepaid programs such as the U.S. Direct Express program offered through the Treasury's U.S. Bureau of Fiscal Service pushed billions of COVID-19-related funds onto millions of government prepaid cards in 2020.¹²

While similar analysis could be made between other types of prepaid card programs such as BNPL or other corporate-loaded use cases, it's evident that there is still plenty of runway for domestic providers of prepaid programs—and U.S.-based providers operating in Canada. There are opportunities to leverage changing consumer habits, find new use cases, and work with corporate and government buyers to expand the realm of prepaid cards in Canada.

⁹ "Letter to the Director of the Financial Institutions Division of the Department of Finance Canada," ACORN Canada, accessed April 6, 2022, <https://www.canada.ca/content/dam/fin/migration/consultresp/pdf-pssge-psefc/pssge-psefc-03.pdf>.

¹⁰ Aaron Broverman, "Unbanked—Why Are Canadians Turning Away From Traditional Financial Institutions?," Greedyrates, November 9, 2021, accessed April 6, 2022, <https://www.greedyrates.ca/blog/unbanked-canadians-turning-away-traditional-financial-institutions/>.

¹¹ See Aite-Novarica Group's report, [U.S. Prepaid Cards: Insights From Consumers and Program Managers](#), January 2022.

¹² U.S. Direct Express Program, U.S. Treasury, <https://www.usdirectexpress.com/>.

CONCLUSION

Program managers:

- The Canadian prepaid card market is growing at a very strong rate. This presents opportunities to innovate with new digital-first card programs and other emerging payment forms that use prepaid card rails.
- Continue exploring new use cases for prepaid cards, emphasizing virtual or digital-first programs that target high-growth market segments. Remain cognizant that in-person transactions are likely to rebound throughout 2022.
- Continue tracking prepaid card trends and estimates internally, using resources such as this report to provide a baseline for actual activity vs. what the market is experiencing.

Issuers:

- Continue supporting program managers' efforts to expand into new growth areas while also offering ways to diversify prepaid card programs when applicable.
- Continue tracking prepaid card trends and estimates internally, using resources such as this report to provide a baseline for actual activity vs. what the market is experiencing.

Both program managers and issuers:

- Continue investing in nationwide advocacy and industry representation, supporting opportunities that spark growth for the greater prepaid card market and opportunities that influence positive dialogue and cross-collaboration with consumers, corporate buyers, and government regulators.

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[Canadian Open-Loop Prepaid Card Market Forecast: 2019 to E2025](#), October 2021

[U.S. Prepaid Issuance: A Market at a Crossroads](#), June 2021

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Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

CONTACT

Research and consulting services:

Aite-Novarica Group Sales
+1.617.338.6050
sales@aite-novarica.com

Press and conference inquiries:

Aite-Novarica Group PR
+1.617.398.5048
pr@aite-novarica.com

For all other inquiries, contact:

info@aite-novarica.com

Global headquarters:

280 Summer Street, 6th Floor
Boston, MA 02210
www.aite-novarica.com

AUTHOR INFORMATION

Francisco Alvarez-Evangelista
+1.617.398.5054
falvarez@aite-novarica.com

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