

CANADIAN PAYMENTS ASSOCIATION
ASSOCIATION CANADIENNE DES PAIEMENTS

INTRODUCTION
CPA RULES MANUAL

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Payments Canada is the operating brand name of the Canadian Payments Association (CPA). For legal purposes we continue to use "Canadian Payments Association" (or the Association) in these rules and in information related to rules, by-laws, and standards.

Introduction – CPA Rules Manual

Implementation and Revisions

Implemented

February 1983

Amendments Post-November 2003

1. Amendments to reflect consistency with the new CPA Payment Items and ACSS By-law, approved by the Board November 27, 2003, effective January 27, 2004.
2. Amendments to the definition of “Extraneous Item” and “Item Trace Number”, approved by the Board May 27, 2004, effective September 20, 2004.
3. Addition of the definition “On-line Network Connector”, approved by the Board December 1, 2004, effective February 3, 2005.
4. Addition of the definition of “Representative” and amendment of the definition of “Settlement Account”, approved by the Board February 23, 2006, effective April 24, 2006.
5. Amendment to the definition of “Bank Draft”; and addition of the definitions “Gift Certificate” and “Store Coupon”, approved by the Board October 11, 2007, effective December 10, 2007.
6. Amendments to accommodate the Data Transmission Network Migration project, approved by the Board June 12, 2008, effective August 18, 2008.
7. Amendments to the definition of “Institution Number”, approved by the Board March 26, 2009, effective May 25, 2009.
8. Amendments to the definition of “Branch”, “Branch Number”, “Financial Institutions File (FIF)”, and “Institution Number”, approved by the Board October 15, 2009, effective December 14, 2009.
9. Amendment to replace references to “General Manager” with “President”, consequential to amendments to the *Canadian Payments Act* (Bill C-37) that came into effect on March 1, 2010.
10. Amendment to the definition of “Item in Dispute” and addition of the definitions “Image” and “Image Printout”, approved by the Board December 2, 2009, effective June 1, 2010.
11. Amendments to the definition of “Misdirected Item” and addition of definition for Misdirected Returned Item, approved by the Board March 25, 2010, effective May 25, 2010.
12. Addition of the definition “Item Dishonoured Stamp”, approved by the Board March 25, 2010, effective June 1, 2010.
13. Amendment to the definition of “Image”, “Item Dishonoured Stamp” and “Item in Dispute”. Addition of the definition “Return Replacement Document”. Approved by the Board December 2, 2010, effective June 1, 2011.

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Implementation and Revisions (continued)

14. Addition of the definition “Clearing Replacement Document”. Amendment to the definition of “Return Replacement Document”. Approved by the Board March 29, 2012, effective October 1, 2012.
15. Amendments to add new definitions related to the electronic Exchange of Image Captured Payments, approved by the Board June 13, 2013, effective August 12, 2013.
16. Amendment to the definition of “Identification or Identifier”. Approved by the Board October 3, 2013, effective December 2, 2013.
17. Amendments to implement the Board approved policy statement on the use of Inter-Member Debits. Approved by the Board October 3, 2013, effective January 2, 2014.
18. Amendments to definitions to accommodate the Exchange of ISO 20022 messages in the AFT system, approved by the Board February 18, 2016, effective April 18, 2016.
19. Amendments to add new definition of “Settlement Intermediary” consequential to Rule D1, E1, E4, and L1 amendments. Approved by the Board September 23, 2016, effective October 24, 2016.
19. Amendments to replace operational committee names (‘National Clearings Committee’ to ‘Senior Operational Committee’) to reflect the restructuring of operational committees. Approved by the Board December 1, 2016, effective January 3, 2017.
20. Amendments to accommodate Phase 1 of the AFT Enhancements and clarify requirements are subject to applicable law; approved by the Board June 22, 2017, effective August 21, 2017.

The CPA Rules Manual

Introduction

1. The Canadian Payments Association (CPA) was created by Parliament in 1980. The statutory objects of the CPA are to establish and operate national systems for the clearing and settlement of payments and other arrangements for the making or exchange of payments; facilitate the interaction of its clearing and settlement systems and related arrangements with other systems or arrangements involved in the exchange, clearing or settlements of payments; and facilitate the developments of new payment methods and technologies.

Rule-making Authority

2. The *Canadian Payments Act* gives the CPA Board of Directors the authority, subject to CPA by-laws, to “make such rules as it considers necessary for the attainment of its objects, including rules respecting payment items acceptable for exchange, clearing or settlement; establishing standards and procedures in respect of the exchange and clearing of payment items; respecting settlements and related matters; respecting the authenticity and integrity of payment items and messages; and respecting the identification and authentication of members and other persons.”

Scope

3. The Rules in this Manual shall be read in conjunction with the Canadian Payments Act and By-law No. 3 – Payment Items and ACSS, and shall govern the Exchange of Payment Items for the purpose of Clearing and Settlement. Nothing in the Rules shall affect or be interpreted to affect the rights or liabilities of any party to any Payment Item, except as expressly provided in the Rules. All requirements are subject to applicable law.

Copyright

4. The Rules are the property of the CPA and are protected by copyright.

Access

5. The Rules may be obtained in the manner described in the Procedure for Access to Canadian Payments Association Rules within the Introduction to the Rules Manual. Copies of the *Canadian Payments Act* and by-laws may be obtained by contacting:

Canadian Payments Association
Constitution Square, Tower II
350 Albert, Suite 800
Ottawa, ON K1R 1A4
Tel: (613) 238-4173
Fax: (613) 233-3385
Website: www.payments.ca

Procedure for Access to Canadian Payments Association Rules

General Guidelines

1. All access to the Canadian Payments Association (CPA) Rules including access for Members, shall be on the basis that:
 - (a) the Rules are the property of, and are copyrighted by, the CPA;
 - (b) subject to subsection (c), reproduction of the Rules except by Members for the use of their own officers and employees, may be carried out only with the express written permission of the CPA President to ensure that the most current or appropriate Rule is released;
 - (c) reproduction of the Rules may be carried out for a customer of a Member where a contractual agreement between the Member and its customer requires the customer to comply with applicable CPA Rules subject to the condition that the Member is not entitled to publish or sell the CPA Rules;
 - (d) the Rules shall be easily and generally accessible in both official languages, and shall be distributed or otherwise made available in a timely fashion;
 - (e) no one shall be unduly restricted from obtaining access to the Rules'
 - (f) access will be available without guaranty, warranty or representation as to the accuracy or completeness of a Rule or portion thereof, unless certified by the CPA in accordance with the certification procedure provided in section 4; and
 - (g) access will be available without guarantee, warranty or representation as to the relevance or suitability of a particular Rule or portion thereof to a particular situation.

Access

2. The Rules are available to the following parties:
 - CPA Members
 - Non-CPA members, including non-members financial institutions, customers of CPA Members and the general public

Types of Access

3. In order to facilitate access, the CPA has established the following procedures for distribution of the Rules Manual and specific sections:
 - (a) For CPA Members:

The CPA shall provide one print-ready copy of the Rules Manual, in either English or French, to each new CPA Member. A copy of the Rules Manual in the other official language will also be provided if requested. Additional Rules Manuals may be purchased from the CPA.

The CPA shall automatically make available to each Member every update to the Rules, either by distributing one print-ready copy of the updates to the Member, in the language requested, or by notifying the Member by electronic mail and including a link for access to the updates on the CPA's website, at the Member's option. A member that has a copy of the Rules Manual in both official languages

Procedure for Access to Canadian Payments Association Rules

and that has opted to receive paper updates, will receive one copy of every update in each language

- (b) For non-members: (Including: non-member financial institutions, customers of CPA Members, and the general public)

Non-members may gain access to the CPA Rules in either official language by:

- (i) borrowing the complete Rules Manual, either from the public library system of any province or territory, through inter-library loan from the public library or the CPA library, or directly from the CPA;
- (ii) contacting the CPA to obtain individual sections of the Rules, either currently in force or in force as of a specific date;
- (iii) purchasing the Rules Manual from the CPA; or
- (iv) visiting the CPA's website at www.cdnpay.ca.

Certification of Rules and Rules Enquiries

- 4. For the purpose of litigation or otherwise, and upon written request, the CPA will certify a particular Rule as being complete and in force as of a particular date.
- 5. Enquiries with respect to Rules access should be directed to:

Canadian Payments Association
Constitution Square, Tower II
350 Albert, Suite 800
Ottawa, ON K1R 1A4
Telephone: (613) 238-4173
Facsimile: (613) 233-3385
Email: info@payments.ca

Rules and Rules Amendments

Effective Date

1. Subject to the Minister of Finance's disallowance power under Section 19.2 of the Canadian Payments Act, unless the Board should otherwise specify, any given Rule or Rule amendment shall come into force sixty (60) days following approval of the Board.

Grace Period

2. The future introduction of new or amended Rules that would have the effect of modifying, revising or clarifying the eligibility of Items currently being accepted for Exchange, for the purpose of Clearing and Settlement, are subject to a sunset clause requiring elimination of any resulting non-eligible Items within a period to be determined by the Board. If no specific time frame is identified by the Board, the period of grace shall be one year from the date of approval by the Board of the relevant Rule or Rule amendment.

During the period of grace, no CPA Member shall enter into any new arrangement, or expand any existing arrangement, that results in the Exchange of any Item that does not comply with the new or amended Rule.

Reference Material

3. The President may update and otherwise amend tables and other reference material contained in the Rules, and such amendments shall come into force as specified by the President.

Revisions and Correction of Errors

4. The President may alter the numbering, arrangement and format of any Rule; may make such alterations in language and punctuation as are requisite to obtain a uniform mode of expression; and may make such amendments as are necessary to correct clerical, grammatical or typographical errors; and such amendments shall come into force as specified by the President.

Interpretation of Rules

5. The President may, at the request of a Member or on his own initiative, give interpretations concerning the meaning or applicability of Rules.

Such interpretations shall be recorded, tabled with the Senior Operational Committee and the Board, and shall be authoritative unless and until altered by the President himself or by the Board.

Severability

6. Each Rule is severable from the other Rules. If any Rule or any provision in a Rule is found to be invalid or unenforceable, the validity or enforceability of the remaining Rules or provisions shall not be affected, and the Rules shall be deemed to be amended so as to eliminate the offending Rule or provision and make the Rules enforceable to the maximum extent possible.

Procedures for Discussion Draft Rules

Recommendation to the Board

1. When a draft Rule comes forward to the Board for consideration it shall be accompanied by a recommendation as to whether or not it should be circulated as a discussion draft and, if so, to whom and with what deadlines.
2. In formulating a recommendation as to whether or not a draft Rule should be circulated as a discussion draft, particular consideration should be given to:
 - (i) the nature and significance of the draft Rule;
 - (ii) the effect the draft Rule would have; and
 - (iii) the utility of additional informed input.
3. Potential recipients of discussion drafts shall include parties drawn from the various sectors of the Canadian economy, and in particular: recognized representatives of consumers, retailers, non-deposit-taking financial institutions, the communications industry, equipment manufacturers and governments.
4. In formulating a recommendation as to appropriate recipients for a particular discussion draft, consideration should be given to the matters referred to in 2 above, and:
 - (i) the relevance of the subject matter of the draft Rule; and
 - (ii) the nature, interests and expertise of the potential recipient.

Board Decision

5. If the Board determines that the draft Rule should be circulated as a discussion draft, then it would normally:
 - (i) state any preliminary amendment(s) it requires;
 - (ii) approve the draft Rule in principle; and
 - (iii) stipulate:
 - (a) proposed recipients, and
 - (b) deadlines for comments.

Circulation

6. The President shall:
 - (i) prepare the discussion draft in appropriate form, together with a transmittal document:
 - (a) explaining the CPA context and the purpose of this draft Rule, and
 - (b) setting out the discussion draft procedure (both generally and in this specific case) and deadlines,
 - (ii) advise:
 - (a) the stipulated recipients, and
 - (b) if and as appropriate, the public generally; and
 - (iii) circulate the discussion draft, transmittal document and relevant background material to those persons or groups who request it.

Procedures for Discussion Draft Rules (Cont'd)

Process

7. In normal circumstances, all comments on discussion drafts shall be made in writing and delivered to the President, who shall acknowledge receipt and provide them to the relevant CPA staff member.
8. The following procedures shall be adhered to with respect to comments received on discussion drafts:
 - (a) CPA staff shall assemble all comments received on discussion drafts, and shall provide them to the person or committee charged with drafting the Rule.
 - (b) The person or committee charged with drafting the Rule shall consider each comment received and determine its appropriate disposition, and shall provide reasons for accepting or rejecting each comment.
 - (c) CPA staff shall prepare a report, summarizing the comments received on the discussion draft, and stating the disposition of each comment and the reasons therefor, and shall provide a copy of the report to all discussion draft recipients prior to final Board approval of the discussion draft as a CPA Rule.
 - (d) CPA staff shall prepare the draft Rule in final form, and send it, together with a report (summarizing comments received and noting changes made) to the Board.
9. A copy of each Rule made by the Board following this discussion draft procedure together with the associated report shall be sent by the President to all persons or groups who submitted comments.
10. The President shall develop the particular forms and process to implement this procedure and in so doing shall ensure clarity of communication and efficient operation generally.

Rights and Obligations/Exchange and Settlement

Rights and Obligations – Members

1. The rights and duties of members as contained in Section 29 of the Canadian Payments Act are that “members may present payment items and shall accept and arrange for settlement of payment items in accordance with the by-laws and rules.”

Exchange, Clearing and Settlement

2. The Members’ basic rights and obligations in the Exchange, Clearing and Settlement function are:

Presenting Member and Drawee Member

3. (a) A presenting member has the right:
 - (i) To present during business hours a Payment Item to another Member at the Branch on which it is drawn, and to receive value in the form of a Settlement Voucher which may be Exchanged at a Regional Exchange Point.
 - (ii) To present or cause its Clearing Agent to present Payment Items acceptable for Exchange drawn on any Branch of a Member, to that Member or its duly appointed Clearing Agent. Items presented by this means must accord with the established Rules of the CPA.
 - (ii) To receive value for the Items so presented either by credit to its Settlement account with its Clearing Agent or, by credit to its account with the Bank of Canada, where it maintains a Settlement account with the Bank of Canada.
- (b) A Drawee Member has the obligation:
 - (i) To accept from another Member during business hours a Payment Item presented at the Branch on which it is drawn and to give value in the form of a Settlement Voucher.
 - (ii) To accept, or appoint a Clearing Agent who will accept on its behalf, Payment Items acceptable for Exchange drawn on any of its Branches from another Member at any Regional Exchange Point. Items received by this means must accord with the established Rules of the Regional Clearing Association and the CPA.
 - (iii) To give value for the Items so presented either by credit to the Settlement account of the presenting Member with its Clearing Agent or by credit to the presenting Member’s account with the Bank of Canada when the presenting Member maintains a settlement account with the Bank of Canada.

Rights and Obligations/Exchange and Settlement (Cont'd)

AFT Debit and Credit Items

4. The rights and obligations of Members in the treatment of debit and credit Transactions contained in AFT Files are somewhat different from this general procedure and are therefore described in more detail in the F Rules section and Rule K8 of this Manual.

EDI Credit Items

5. The rights and obligations of Members in the treatment of EDI Payment Items are somewhat different from this general procedure and are therefore described in more detail in Rules E3 and K7 of this Manual.

POS Payment Items

6. The rights and obligations of Members in the treatment of Point-of-Service Payment Items are somewhat different from this general procedure and are therefore described in more detail in Rule E1 of this Manual.

Regional Exchange Points

7. The following locations are those recognized as Regional Exchange Points and at which for purposes of Exchange, Clearing and Settlement all Members must be represented either in their own right or by a Clearing Agent or other representative.

Calgary
Halifax
Montreal

Toronto
Vancouver
Winnipeg

Definitions

Except as otherwise specified in a Rule, the following definitions apply to the CPA Rules Manual:

ACSS

“ACSS” means the Automated Clearing Settlement System.

ACSS Cycle

“ACSS Cycle” means the period beginning immediately after the Final Adjustment Time on a given Business Day and ending with the Final Adjustment Time on the next Business Day.

ACSS Holiday

“ACSS Holiday” means every Saturday and Sunday and the following national holidays: New Year’s Day, Good Friday, Victoria Day, Canada Day, Labour Day, Thanksgiving Day, Remembrance Day, Christmas Day and Boxing Day.

Act or CP Act

“Act” or “CP Act” means the Canadian Payments Act.

AFT

“AFT” means Automated Funds Transfer by electronic media and in accordance with CPA Standards 005 or the ISO AFT Usage Guidelines.

AFT Exchange Point

“AFT Exchange Point” means the electronic site from which a Direct Clearer delivers and receives AFT Files.

AFT File

“AFT File” means a file containing one or more AFT Transactions as outlined in accordance with CPA Standard 005 or the ISO AFT Usage Guidelines.

AFT Initial File Edit

“AFT Initial File Edit” means the process of validating an exchanged AFT File.

AFT Logical Record Type

“AFT Logical Record Type” means a logical record type as defined in CPA Standard 005.

AFT System

“AFT (Automated Funds Transfer) System” means a system developed and maintained by CPA Members to exchange financial data on electronic media.

Definitions (Cont'd)

AFT Transaction

“AFT Transaction” means a Payment Item exchanged on an AFT File as defined in CPA Standard 005 or the ISO AFT Usage Guidelines.

Arbitration

“Arbitration” means the submission of a dispute concerning the Clearing and Settlement of a Payment Item by a Member to the Arbitration Board for fair and efficient resolution.

Association

“Association” or “CPA” means the Canadian Payments Association.

Authentication

“Authentication” means a data security technique or process used to prevent unauthorized access to financial information. Authentication verifies the source, uniqueness, and integrity of a message.

Authorized Institution

“Authorized Institution” means a Member that has been authorized by prior agreement with the Bank of Canada or the Receiver General for Canada to obtain reimbursement for certain categories of Government of Canada instruments from the Bank of Canada.

Bank

“Bank” includes every Member and every local cooperative credit society, that is a member of a central, that is a member of the CPA. [s. 164 – Bills of Exchange Act].

Bank Draft

“Bank Draft” means a Payment Item drawn by a Bank against its own account.

Bill of Exchange

“Bill of Exchange” means an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay, on demand or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person or to bearer. [s. 16 – Bills of Exchange Act].

Bill Payment Error Correction Debit

“Bill Payment Error Correction Debit” means an authorized debit issued by a Member on behalf of a Bill Payor and drawn on an account of a Bill Payee held by a Member.

Board

“Board” means the Board of Directors of the Association.

Branch

“Branch” includes any office, centre, or other organizational unit which functions on behalf of a Member or other institution listed in Appendix I of Rule D4.

Definitions (Cont'd)

Branch Number

“Branch Number” means a five digit number (including leading zeros) designated by a Member, or other institution listed in Appendix I of Rule D4, to identify a Branch.

Bulk Exchange

“Bulk Exchange” means the Exchange between Direct Clearers, at established Bulk Exchange Points, of Items acceptable for Bulk Exchange as set out in section 4 of Rule K1.

Bulk Exchange Point

“Bulk Exchange Point” means a Regional Exchange Point at which all Direct Clearers have agreed to receive U.S. dollar paper Items.

Bulk Settlement

“Bulk Settlement” means the electronic transfer of funds in U.S. dollars at New York, by each Direct Clearer, to each other Direct Clearer to whom Settlement for U.S. dollar Items are due, as set out in section 24 of Rule K1.

Business Day

“Business Day” means any day other than an ACSS Holiday.

Business PAD

“Business PAD” means a PAD drawn on the account of a Payor for the payment of goods or services related to a business or commercial activity of the Payor including, but not limited to, payments between franchisees and franchisers, distributors and suppliers, and dealers and manufacturers.

By-Law

“By-Law” means a By-Law of the Association.

Carrier

“Carrier” includes a courier, a Financial Institution or its representative.

Cash Management PAD

“Cash Management PAD” means a PAD drawn on the account of a Payor for the purpose of transferring, consolidating or repositioning funds between their account at one Member to their account at another Member, for the same Business or closely-affiliated Businesses (e.g. transfers between a parent company and its subsidiary).

Central Cooperative Credit Society or Central

“Central Cooperative Credit Society” or “Central” means a cooperative credit society incorporated by or under an Act of the legislature of a province, one of whose principal purposes is to provide liquidity support to local cooperative credit societies, and

- a) whose membership consists wholly or primarily of local cooperative credit societies, or

Definitions (Cont'd)

- b) whose directors are wholly or primarily persons elected or appointed by local cooperative credit societies.

Centralized Cheque Exchange

“Centralized Cheque Exchange” means the meeting(s) attended by members of an RCA at a location of the Host Direct Clearer, for the purpose of exchanging paper Payment Items.

Certified Item

“Certified Item” means an Item on the face of which the Drawee has written or stamped the words “accepted” or “certified” or any other word or words to that effect.

Cheque

“Cheque” is a bill of exchange drawn on a Bank, payable on demand. [s. 165 – Bills of Exchange Act]

Cheque Clearing Log

“Cheque Clearing Log” means a report recapping Payment Items Exchanged between Direct Clearers.

Claim Draft or Reimbursement Draft

“Claim Draft” or “Reimbursement Draft” means a Payment Item payable through a Member where the drawer (including its agents) and the Drawee are one and the same.

Clearing

“Clearing” means the reconciliation of Payment Items and the calculation of the Clearing Balances.

Clearing Agent

“Clearing Agent” means the Direct Clearer or Group Clearer that on behalf of an Indirect Clearer, Exchanges Payment Items and either effects Clearing and Settlement or makes entries into the ACSS.

Clearing Balance

“Clearing Balance” means the total of the net amounts owing to or by a Member as a result of Clearing.

Clearing Replacement Document

“Clearing Replacement Document” or “CRD” means a printed form of an Image created by a Member that meets the specifications in Standard 014 - Clearing Replacement Document Design Standard, and which may be used in place of an original paper Payment Item for presentment and return purposes in accordance with Rule A10.

Definitions (Cont'd)

Contested Delivery

"Contested Delivery" means a delivery for which the receiving Member challenges a clearing amount claimed by the delivering Member and for which an adjustment is sought prior to the initial closing time.

Contingency Situation

"Contingency Situation" means an interruption in service which:

- (i) affects the ability of any Direct Clearer at any Regional Exchange Point to meet the requirements related to the Exchange of Items; and
- (ii) precludes the affected Direct Clearer from delivering Items for more than one ACSS Cycle.

Corporate Creditor (Payee)

"Corporate Creditor (Payee)" or "Corporate Creditor" means any business, association, government or other entity which issues Invoices to its customers, and has entered into a Corporate Creditor Agreement with a Payee's Financial Institution.

Credit Transaction

"Credit Transaction" means a credit Payment Item exchanged on an AFT File as defined in CPA Standard 005.

Creditor

"Creditor" means a Payee of an ISO AFT Transaction.

CSB Interest Payments

"Canada Savings Bonds (CSB) Interest Payments" means Payment of interest by the Receiver General of Canada to holders of fully registered Canada Savings Bonds.

Data Centre

"Data Centre" means the organizational unit designated by a Drawee to which its Items are directed at a Regional Exchange Point.

Data Element

"Data Element" means the smallest unit of information. It can represent a qualifier, a value, or text (such as a description). A data element has two primary attributes, length and type.

Data Encryption Algorithm (DEA)

"Data Encryption Algorithm (DEA)" means the cryptographic algorithm specified by ANSI X3.92-1981 (R1987), Data Encryption Algorithm. DEA is also referred to as DES (Data Encryption Standard) in the U.S.

Definitions (Cont'd)

Data Segment

“Data Segment” means an intermediate unit of information in a transaction set. A data segment consists of logically related data elements in a defined sequence. It consists of a predetermined identifier that comprises the first characters of the data segment, one or more data elements, each preceded by a data element separator, and a segment terminator.

Debit Transaction

“Debit Transaction” means a Pre-authorized Debit Payment Item within the meaning of Rule H1 or a Bill Payment Error Correction Debit within the meaning of Rule H3 exchanged on an AFT File as defined in CPA Standard 005.

Debtor

“Debtor” means a Payor of an ISO AFT Transaction.

Decryption

“Decryption” means the process of transforming ciphertext into plaintext.

Direct Clearer

“Direct Clearer” means a Member, other than the Bank of Canada that, on its own behalf, Exchanges items and makes entries into the ACSS. Throughout the Rules, references to Direct Clearer include Group Clearers and Clearing Agents unless the Rule or context otherwise requires.

Drawee

“Drawee” means the Member or other institution to which a debit Payment Item is addressed, and which is directed to pay the specified amount of money.

EDI (Electronic Data Interchange)

“EDI (Electronic Data Interchange)” means the electronic exchange of data in a structured computer processable message format, using public standards.

EDI Payment Item

“EDI Payment Item” means the credit transfer of funds from one party to another made or being made through the electronic exchange and processing of payment messages and related financial data in order to effect a business payment.

EDI Transaction Set

“EDI Transaction Set” means a collection of data composed of a specific group of data segments. Each transaction set consists of a transaction set header as the first data segment and contains at least one data segment before the transaction set trailer.

EDI Transmission

“EDI Transmission” means the electronic conveyance of a Functional Group of one or more EDI Transaction Sets.

Definitions (Cont'd)

Encryption

“Encryption” means the process of transforming plaintext into ciphertext.

Endorsement

“Endorsement” means a signature made by a holder of an Item on the back of the Item when negotiating (transferring) it to another person.

Error Correction Transaction

“Error Correction Transaction” means an AFT Transaction used to correct an error made by the Payment Originator or the Originating Direct Clearer.

[Note: This is equivalent to a Payment Reversal Transaction as defined in Rule F4.]

Exchange

“Exchange” means the delivery and receipt of Payment Items.

Exchange Agent

“Exchange Agent” means a Direct Clearer which acts on behalf of another Direct Clearer, solely for the purpose of the Exchange of U.S. dollar Items, but does not provide settlement.

Extended Remittance Information

“Extended Remittance Information” means any detail provided in an ISO AFT Debit Transaction or an ISO AFT Credit Transaction in the following elements (including their respective sub-elements) as defined in the ISO AFT Usage Guidelines:

- (i) Ultimate Debtor;
- (ii) Ultimate Creditor;
- (iii) Initiating Party;
- (iv) Related Remittance Information; or
- (v) Structured Remittance Information.

Extraneous Item

“Extraneous Item” includes staples, paper clips, pin feed strips and any other object that is attached to an Item and should be removed prior to encoding.

Final Adjustment Time

“Final Adjustment Time” means the time prior to which the correction of errors affecting the calculation of the Clearing Balance of a Direct Clearer for the current ACSS Cycle must be made.

Final Exchange

“Final Exchange” means the last Exchange of Payment Items at each REP for the current ACSS Cycle.

Definitions (Cont'd)

Financial Institution

“Financial Institution” means a Member.

Financial Institutions File (FIF)

“Financial Institutions File (FIF)” means an electronic directory of branches of deposit-taking institutions in Canada that is maintained by the CPA based on Direct Clearer input. Includes information to facilitate the processing and Exchange of Payment Items between deposit-taking institutions in Canada.

Functional Group

“Functional Group” means one or more similar EDI Transaction Sets exchanged in a single Transmission, identified by a header and trailer.

Funds Transfer PAD

“Funds Transfer PAD” means, where the Payor and the Payee are the same individual, a PAD drawn on the account of a Payor for the purpose of transferring funds from their account at one Member to their account at another Member, including, but not limited to, registered savings plan, mutual funds, segregated funds, annuities, deposit accounts, cash accounts, and investment accounts.

Gift Certificate

“Gift Certificate” means a paper instrument of a stated cash value for use at a commercial establishment which, if in compliance with the requirements outlined in Rule H2, may be Exchanged as a Claim Draft or Reimbursement Draft.

Government of Canada Paper Instrument

“Government of Canada Paper Instrument” includes Canada Savings Bonds and other Government of Canada bonds, Canada Savings Bond certificates, Treasury Bills, Government of Canada Bond coupons, and Receiver General Warrants.

Group

“Group” means a number of entities outlined in s.28 of By-Law No. 3 – Payment Items and ACSS, that have appointed one of their number as Group Clearer.

Group Clearer

“Group Clearer” means a Member that, on its own behalf or on behalf of the entities belonging to the Group in respect of which it is appointed, Exchanges Payment Items and either effects Clearing and Settlement or makes entries into the ACSS.

Host Direct Clearer

“Host Direct Clearer” means the Direct Clearer selected by the Regional Clearing Association whose premises are used for the Centralized Cheque Exchange.

Definitions (Cont'd)

ICP Exchange

“ICP Exchange (Image Captured Payment Exchange)” means the process by which eligible Items, including Returned Items, are exchanged through the transmission and receipt of the electronic information representing an Item, as contained in an ICP File, where the corresponding Image for such information either accompanies the information within the ICP File or is otherwise made available to both the sending and receiving parties.

ICP Item

“ICP Item” means an eligible Item exchanged electronically in an ICP File.

ICP File

“ICP File” means an electronic file that is created in accordance with this Rule for the purpose of electronic Image exchange between a Sending and Receiving Direct Clearer, which contains electronic information representing eligible Items and which may include the corresponding Images.

Identification or Identifier

“Identification or Identifier” means a stamp, trace number, transit number or other identification affixed to the back of an Item or transmitted with an Item by a Member that is involved in the Exchange of that Item.

Identification Modification Advice (IMA)

“Identification Modification Advice (IMA)” means a non-financial transaction created by a Participating Member to allow the Originating Participating Member to inform a Payment Originator of a change to the payment routing information, including the Account Number. [Note this is equivalent to a Notice of Change (NOC) as defined in Rule F1.]

Image

“Image” means a digital representation of the front and back of an Item.

Image Printout

“Image Printout” means any paper output of an Image, created by a Member.

IMA Message

“IMA Message” means a message containing one or more IMAs as outlined in the ISO AFT Usage Guidelines.

Indirect Clearer

“Indirect Clearer” means a Member on behalf of which a Clearing Agent Exchanges Payment Items and either effects Clearing and Settlement or makes entries into the ACSS.

Definitions (Cont'd)

Institution Number

“Institution Number” means a three digit number, allocated by the CPA, which may be utilized on Paper and Electronic Payment Items to identify a Member or other institution listed in Appendix I of Rule D4.

Instructed Agent

“Instructed Agent” means the Participating Member that is instructed by the previous Member to carry out the payment instruction.

Instructing Agent

“Instructing Agent” means the Participating Member instructing the next Member to carry out the payment instruction.

Inter-Member Debit

“Inter-Member Debit” means an Item created by a Member and addressed to another Member with its expressed or implied consent for the purpose of receiving a payment from it. Note: For greater certainty, Inter-Member Debits are intended for members to discharge certain payment obligations solely between one another and are not intended to initiate debits directly against a customer account.

Invoice

“Invoice” means a paper-based document issued by a Corporate Creditor to its customer as a request for payment. An Invoice generally consists of a Remittance and a Receipt.

ISO AFT Credit Transaction

“ISO AFT Credit Transaction” means a credit Payment Item exchanged in an AFT File as defined in the ISO AFT Usage Guidelines.

ISO AFT Debit Transaction

“ISO AFT Debit Transaction” means a Pre-authorized Debit Payment Item within the meaning of Rule H1 exchanged in an AFT File as defined in the ISO AFT Usage Guidelines.

ISO AFT File

“ISO AFT File” means an AFT File containing one or more ISO AFT Transactions.

ISO AFT Message Types

“ISO AFT Message Types” means the structure of an ISO AFT File created in accordance with the ISO AFT Usage Guidelines;

ISO AFT Transaction

“ISO AFT Transaction” means an AFT Transaction as defined in the ISO AFT Usage Guidelines;

Item

“Item” means a Payment Item.

Definitions (Cont'd)

Item Dishonoured Stamp

“Item Dishonoured Stamp” means a stamp reading “Item Dishonoured” that is applied on a Payment Item or an Image Printout for the purpose of return.

Item in Dispute

“Item in Dispute” means a Returned Item that a Negotiating Institution believes was not returned in accordance with the Rules or, in the case of a Returned Item in the form of an Image Printout or a Return Replacement Document, is not Usable pursuant to Rule A10.

Item Trace Number

“Item Trace Number” means the number used to uniquely identify an individual electronic Item or transaction to facilitate end-to-end tracing.

Listing

“Listing” means a print-out of information produced to identify individual Items as contained in a bundle.

Local Cooperative Credit Society or Local

“Local Cooperative Credit Society” or “Local” means a cooperative credit society incorporated by or under an Act of the legislature of a province.

- a) whose members consist substantially of individuals, and
- b) whose principal purpose is to receive deposits from, and make loans to, its members.

Log

“Log” means Cheque Clearing Log.

Member

“Member” means any of those persons who are Members of the Association pursuant to section 4 of the Act. Throughout the Rules, unless the Rule or the context otherwise requires, references to Member include (i) a local cooperative credit society that is a member of a central or a cooperative credit association, that is a Member of the Association; and (ii) until December 31, 2006, an entity referred to in subparagraph 6(1)(iii) of By-law No. 3 – Payment Items and ACSS that uses the services of a Member of the Association for the Exchange of Payment Items.

Message Authentication Code (MAC)

“Message Authentication Code (MAC)” means a cryptographically computed value that is the result of passing data through the authentication algorithm using a specific key. The message authentication code can be used as a hash total or control total when data must be protected from alteration.

MICR

“MICR” (magnetic ink character recognition) means the machine recognition of characters printed with ink containing particles of a magnetic material. [Refer to Standard 006]

Definitions (Cont'd)

MICR Encoding

“MICR Encoding” means the application of magnetic ink characters to a paper Payment Item.

Misdirected Item

“Misdirected Item” means an Item that is delivered to a Member that is not the Drawee.

Misdirected Returned Item

“Misdirected Returned Item” means a dishonoured Item that is not routed in accordance with section 11 of Rule A4.

Money Order

“Money Order” means a Payment Item issued by a Member and drawn on itself for the purpose of ordering a payment to be made to a Payee.

National Courier Service Arrangement

“National Courier Service Arrangement” means an agreement between two or more Members and a designated Carrier(s) for the shipment of non-negotiable Items from a Member’s designated location(s) to designated location(s) in another city or province.

National Electronic Settlement Region (NESR)

“National Electronic Settlement Region (NESR)” means a designated region for the Clearing of electronic Items.

National Failure

A “National Failure” means a situation or circumstance when the ACSS host computer is inoperative or the complete communications link affecting all ACSS regions has failed.

Negotiating Institution

“Negotiating Institution” means the Member that, on behalf of its customer, presents an Item for payment to the Drawee.

Notice of Change (NOC)

“Notice of Change – NOC” means a non-financial transaction created by a Processing Direct Clearer which allows the Originating Direct Clearer to inform Payment Originators of changes to payment routing information.

[Note: This is equivalent to an Identification Modification Advice (IMA) message as defined in Rule F4.]

NOC File

“NOC File” means a file containing one or more NOCs as outlined in CPA Standard 005.

NOC Originating Direct Clearer

“NOC Originating Direct Clearer” means the issuer of an NOC.

Definitions (Cont'd)

NOC Processing Direct Clearer

“NOC Processing Direct Clearer” means the recipient of an NOC.

On-line Network Connector

“On-line Network Connector” means an entity that connects directly to an On-line Payment Service.

Originating Direct Clearer

“Originating Direct Clearer” means the Direct Clearer that delivers AFT Files to another Direct Clearer.

Originating Participating Member

“Originating Participating Member” means a Participating Member that originates an ISO AFT File or receives an ISO AFT File from a Payment Originator;

Outsort

“Outsort” means a segregation of Items and a listing with totals destined to a Financial Institution.

Participating Member

“Participating Member” means any CPA Member that registers to participate in the Exchange of ISO AFT Transactions.

Payee

“Payee” means the person to whom funds are to be paid.

Payee's FI

“Payee's FI” means the Financial Institution that holds the account of the Payee.

Payment Item

“Payment Item” means a Bill of Exchange drawn on a Member and includes any other type of Item acceptable for Exchange as outlined in Rule A1.

Payment Originator

“Payment Originator” means a business, association, government or other entity which, upon authorization from its Payee or Payor, initiates an AFT Transaction.

Payment Reversal Transaction

“Payment Reversal Transaction” means an AFT Transaction used to correct an error made by the Payment Originator or the Originating Direct Clearer as defined in the ISO AFT Usage Guidelines.

[Note: This is the CPA Standard 005 equivalent to an Error Correction Transaction.]

Definitions (Cont'd)

Payor

“Payor” means the Person or other entity whose account is to be debited on the basis of a Payment Item.

Payor's FI

“Payor's FI” means the Financial Institution which holds the account of the Payor.

Persons

“Person” means a natural person or a corporation, trade, association, government entity, business or other legal entity.

Physically Secure Device

“Physically Secure Device” means a device designed to preclude successful penetration to reveal all or part of any cryptographic keys resident within it.

Point-of-Entry Office

“Point-of-Entry Office” means a Branch, Data Centre, international centre or division of a Direct Clearer which receives Cheques on deposit in U.S. or Canadian funds from foreign correspondents.

Point of Origin

“Point of Origin” means the AFT Exchange Point as designated by the Originating Direct Clearer.

Point-of-Service Identifier

“Point-of-Service Identifier” means a four to six character alphanumeric code which is issued by an electronic point-of-service network or a network service provider to identify a Point-of-Service Network Connector.

Point-of-Service Network Connector

“Point-of-Service Network Connector” means an entity that connects directly to an electronic point-of-service network.

Point-of-Service Payment Item

“Point-of-Service Payment Item” means a Payment Item arising from a Point-of-Service Transaction, consisting of a payment order by a Cardholder and subsequent Authorization by the Account Holder, utilizing on-line real-time interactive messages, which result in a debit or a credit to the Cardholder's Account.

Postal Money Order

“Postal Money Order” means a Payment Item issued by and drawn on Canada Post Corporation for the purpose of ordering a payment to be made to a Payee.

Definitions (Cont'd)

Pre-Authorized Debit – PAD

“Pre-Authorized Debit – PAD” means a pre-authorized debit Payment Item issued by a Payee or Member Payee that is drawn on an account of a Payor held by a processing member.

President

“President” means the President, CEO and General Manager of the Association.

Problem Occurrence Reporting

“Problem Occurrence Reporting” or “POR” means an industry format for notification of problems relating to interpretations of the CPA Rules Manual and any associated CPA Standards.

Processing Direct Clearer

“Processing Direct Clearer” means the Direct Clearer that receives AFT Transactions from an Originating Direct Clearer.

Pursuant to Stamp

“Pursuant to Stamp” means a stamp applied on a Payment Item reading “Pursuant to the Clearing Rules, this Item may not be cleared again unless certified”.

Qualified Item

“Qualified Item” means an Item which meets the Associations standards and specifications and is MICR encoded at least as to Transit Number and amount.

Receiving Direct Participant

“Receiving Direct Participant” means a Direct Clearer that receives and processes an EDI Payment Item on behalf of a Payee or a Payee’s Financial Institution.

Receiver General Warrant

“Receiver General Warrant” means an authorization for the payment of money drawn on or by the Government of Canada and payable by the Government of Canada.

Redirected Item

“Redirected Item” means an Item that is re-routed for the reason that an account has been transferred to another Branch within the same Financial Institution.

Regional Clearing Association

“Regional Clearing Association” or “RCA” means, with respect to a Regional Exchange Point, the association of Members established pursuant to Rule B4.

Regional Participants

“Regional Participants” means a Processing Direct Clearer and an Originating Direct Clearer which are not represented at the same AFT Exchange Point.

Definitions (Cont'd)

Regional Exchange Point (REP)

“Regional Exchange Point (REP)” means each location in Canada designated for the Exchange of Payment Items among Direct Clearers and the Bank of Canada, and includes the NESR.

Regional or Civic Holiday

“Regional or Civic Holiday” means, a holiday so designated by a province, city, town, municipality or other organized district within Canada.

Reimbursement Draft or Claim Draft

“Reimbursement Draft” or “Claim Draft” means a Payment Item payable through a Member where the drawer (including its agents) and the Drawee are one and the same.

Rejected ISO AFT Transaction

“Rejected ISO AFT Transaction” means an ISO AFT Transaction which has not passed the Transaction Edit by the Processing Direct Clearer, and is delivered back to the Originating Direct Clearer in an AFT File as defined in the ISO AFT Usage Guidelines.

Rejected Transaction

“Rejected Transaction” means an AFT Transaction which has not passed the Transaction Edit by the Processing Direct Clearer, and is subsequently returned to the Originating Direct Clearer.

Remittance

“Remittance” means the portion of an Invoice that conforms to Part II of Rule H6, or the electronic data, that is submitted to the Payor’s FI by the Payor along with payment, and which itself becomes a credit Item representing value when subsequently Exchanged by the Payor’s FI.

Remittance Beneficiary

“Remittance Beneficiary” means the Debtor or Creditor to whom the Payment Originator is providing Remittance Information.

Remittance Information

“Remittance Information” means all detail provided within the Extended Remittance Information and the Unstructured Remittance Information elements in an ISO AFT Debit Transaction or an ISO AFT Credit Transaction.

Representative

“Representative” means a Direct Clearer that Exchanges Items on behalf of another Direct Clearer at any one of the various Regional Exchange Points.

Return Reason Code

“Return Reason Code” means a three (3) digit code, as assigned by the CPA and defined in CPA Standard 007, which is used by the Processing Direct Clearer or Indirect Clearer to identify the reason for the return of the payment to the Payee/Payor.

Return Replacement Document

Definitions (Cont'd)

“Return Replacement Document” or “RRD” means a printed form of an Image created by a Member that meets the specifications in CPA Standard 013 - Return Replacement Document Design Standard, and which may be used for the purpose of return in accordance with Rule A10.

Returned Item

“Returned Item” means a Payment Item received by the Drawee and subsequently returned in accordance with the Rules.

Returned Item Carrier Envelope

“Returned Item Carrier Envelope” means a translucent window envelope in which a Returned Item is enclosed for Exchange.

Returned ISO AFT Transaction

“Returned ISO AFT Transaction” means an ISO AFT Transaction which is unpostable, dishonoured or refused by the Payor or Payee at the Branch of account and is delivered back to the Participating Member that initiated the original AFT Transaction in an AFT File as defined in the ISO AFT Usage Guidelines.

Returned Transaction

“Returned Transaction” means an AFT Transaction which is unpostable at the Branch of account.

Round Robin Cheque Exchange

“Round Robin Cheque Exchange” means a service contracted by the members of the RCA whereby a courier picks up and delivers paper Payment Items at each member’s location.

Serviceability Code

“Serviceability Code” means a code representing the number of Business Days required to credit a Payee’s account with an AFT Credit Transaction on the date those funds are to be made available.

Settlement

“Settlement” means the payment of the Clearing Balance.

Settlement Account

“Settlement Account” means the account which is established and maintained by each Direct Clearer, at the Bank of Canada, or by each Indirect Clearer, with its Clearing Agent(s), for the purpose of Settlement.

Settlement Agent

“Settlement Agent” means a Direct Clearer which acts as an Exchange Agent for another Direct Clearer, and which is also responsible for providing settlement.

Settlement Intermediary

“Settlement Intermediary” means a Direct Clearer that facilitates Settlement between a Delivering and Receiving Direct Clearer.

Definitions (Cont'd)

Settlement Voucher

“Settlement Voucher” means a Payment Item issued by and drawn on a Member for the purpose of transferring funds to another Member.

Sponsoring Institution

“Sponsoring Institution” means a Member that holds the account of the Payee to be credited with a PAD.

Stale-Dated

“Stale-Dated” means an item dated more than six (6) months prior to presentment for payment.

Store Coupon

“Store Coupon” means a paper instrument used to obtain a discount on merchandise or services which, if in compliance with the requirements outlined in Rule H2, may be Exchanged as a Claim Draft or Reimbursement Draft.

Summary of Data Delivered Report

“Summary of Data Delivered Report” means a report of the total number and dollar amount of the AFT Transactions contained on an AFT File.

Telecheque

“Telecheque” means a paper debit resembling a Cheque that is not created or signed by the Payor, but is drawn by a third party on behalf of the Payor, purportedly with the Payor’s authorization given over the telephone or by other remote means, and proof of such authorization does not reside with the Drawee.

Third Party Return Transaction

“Third Party Return Transaction” means an AFT Transaction returned to a Branch of a Member other than the Originating Direct Clearer.

Transaction Code

“Transaction Code” means a three (3) digit code, as assigned by the CPA and defined in CPA Standard 007, which is used by the Payment Originator to identify the type of payment, and by the Processing Direct Clearer or Indirect Clearer to further identify the payment to the Payee/Payor.

Transaction Edit

“Transaction Edit” means the process of validating individual AFT Transactions contained on an exchanged AFT File in accordance with CPA Standards, the ISO AFT Usage Guidelines and the Financial Institution File (FIF).

Transaction Set Control Number

“Transaction Set Control Number” means a number which uniquely identifies each transaction set.

Definitions (Cont'd)

Transit Number

“Transit Number means a three-digit Number listed in Rule D4 together with a five-digit Branch number assigned by that institution.

Transmission

“Transmission” means the electronic conveyance of a Functional Group of one or more individual bill payment transactions.

Traveller’s Cheque

“Traveller’s Cheque” means a Payment Item issued in fixed denomination and incomplete form by a Member, or other institution as recorded in Rule D4, to a purchaser for value, which when completed and properly countersigned by the purchaser, constitutes a claim upon the issuer for face value.

Unqualified Item

“Unqualified Item” means an Item which does not meet the Association’s standards and specifications for a Qualified Item.

Unstructured Remittance Information

“Unstructured Remittance Information” means the information contained within the Unstructured Remittance Element as described in the ISO AFT Usage Guidelines.

Universal Resource Locator (URL)

“Universal Resource Locator (URL)” means a unique address for an object on the internet, containing a “protocol” (e.g. http, https, ftp, ldap, mailto, etc.) and an address that identifies the location of something (e.g. a domain and path to a file such as “xyz.com/index.htm”, an email address, a telephone number, etc.). A domain name (e.g. “example.com”) by itself is not a URL.

U.S.B.E.

“U.S.B.E.” means United States Bulk Exchange.

U.S. Dollar Item

“U.S. Dollar Item” means an Item payable on demand in U.S. dollars drawn on a Member or on a U.S. office of a Member.

Value Date

“Value Date” means the date indicated by the Originator when the funds are to be credited to the Payee’s account.

Warehoused AFT Transactions

“Warehoused AFT Transactions” means those AFT Transactions held by a Direct Clearer for future processing.