

CANADIAN PAYMENTS ASSOCIATION
ASSOCIATION CANADIENNE DES PAIEMENTS

RULE E1

**EXCHANGE OF SHARED ELECTRONIC POINT-OF-SERVICE
PAYMENT ITEMS FOR THE PURPOSE OF
CLEARING AND SETTLEMENT**

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Rule E1 - Exchange of Shared Electronic Point-of-Service Payment Items for the Purpose of Clearing and Settlement

Implementation and Revisions

Implemented

July 18, 1998

Amendments Pre-November 2003

December 7, 1998, February 1, 1999, March 4, 1999, November 25, 2002, and July 7, 2003.

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. Section 14 deleted. Approved by the Board February 26, 2004, effective April 26, 2004.
3. Section 10, approved by the Board June 29, 2004, effective January 5, 2005.
4. Addition of defined term “Connection Service Provider – Point-of Service”, removal of “Point-of-Service Network Connector”, amendments to section 6 to clarify settlement obligations when using a Connection Service Provider – Point-of-Service in multiple clearing arrangement environment, clarification of what constitutes misuse of Point-of-Service stream identifiers, amendments to section 8 – Relationships – to add transparency, reference to latest version of Canadian Debit Card Code of Practice, and other updates approved by the Board February 23, 2006, effective April 24, 2006
5. Amendments to facilitate off-line Secret Code verification (Authentication) as a result of the introduction of EMV™ Chip technology, including section 2, Definitions, subsection 5(a)-(c), added, and amendment of subsection 9(a). Approved by the Board October 5, 2006, effective December 4, 2006.
6. Amendments to facilitate the removal of Point-of-Service Contingency Vouchers from the Clearing. Approved by the Board November 29, 2007, effective April 30, 2008.
7. Amendments to confirm the roles and responsibilities of the parties to Point-of-Sale Payment Items and to reflect the current Point-of-Sale environment as well as making certain consequential amendments to implement CPA Guidelines for Pre-Funded Debit Cards. Approved by the Board June 11, 2009, effective August 10, 2009.
8. 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.
9. Minor amendments to reflect consistency throughout the Rule, approved by the Board February 23, 2012, effective April 23, 2012.
10. Amendments to reflect the removal of certain default procedures, consequential to amendments to By-law No. 3 – Payment Items and ACSS, which came into effect on August 17, 2012. Approved by the Board October 3, 2013, effective December 2, 2013.

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Implementation and Revisions (continued)

11. Amendments to add additional flexibility for the processing of ABM adjustments between members. Approved by the Board June 18, 2015, effective August 17, 2015.
12. Amendments to clarify obligations related to the use of Settlement Intermediaries, Token Service Providers, and consequential amendments to references and definitions (including an updated definition of “Two-Factor Technique” and revisions to the definition of “Personal Identifier” (previously “Secret Code”)). Approved by the Board September 23, 2016, effective October 24, 2016.
13. Amendments to clarify requirements related to the use of EMV[™] Chip Specifications. Approved by the Board June 22, 2017, effective August 21, 2017.

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Introduction

1. This Rule sets out requirements for the Exchange, for the purpose of Clearing and Settlement, of electronic Point-of-Service (“POS”) Payment Items (i.e. Payment Items that arise from a shared electronic point-of-service environment).

Inter-member Exchanges take place throughout the day via a series of interactive electronic messages.

While this Rule makes functional distinctions, it is recognized that one entity may play several roles in the context of a single POS Transaction. For example, the Acquirer and Acquirer FI may be one and the same. Further, this Rule does not preclude the establishment of agency relationships for the performance of particular functions, provided such agents are required to comply with the applicable provisions of this Rule by agreement.

Scope

2. This Rule addresses Payment Items arising from individual transactions initiated at a Card-activated POS Device, which result in a debit to a Cardholder's Account for the purpose of making payment for goods or services, or obtaining cash or other value, or a credit to the Cardholder's Account in the case of refunds or returns. These Payment Items involve Real-Time Authentication (e.g. verification of the Cardholder's Personal Identifier). Such Authentication shall occur or be confirmed by the Payor FI prior to the transaction being Approved on-line in Real-Time resulting in an obligation on the part of a Payor FI to settle for that Payment Item, thereby making all duly authorized Payment Items not subject to subsequent repudiation by the Cardholder or dishonour by the Payor FI. If an inquiry or complaint is raised by the Cardholder regarding whether a Payment Item was duly authorized, this Rule also addresses returns and refunds and the related procedures that apply.

(Note: For transactions resulting in a credit to a Cardholder's Account (such as a return and/or a refund) the functions described in this Rule will operate in the reverse manner.)

References

3. (a) This Rule shall be read in conjunction with the following:
 - (i) CPA Rules Manual - Introduction
 - (ii) CPA Rule A1 - General Rules Pertaining to Items Acceptable for Exchange, for the purpose of Clearing and Settlement
 - (iii) CPA Rule B1 - Inter-Member Clearing at Regional Exchange Points
 - (iv) CPA Rule B2 - Manual Preparation of Cheque Clearing Logs
 - (v) CPA Rule D1 - Direct Clearer/Group Clearer Requirements
 - (vi) CPA Rule D4 - Institution Numbers and Clearing Agency / Representative Arrangements

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- (vii) CPA Rule L1 - Procedures Pertaining to the Default of a Direct Clearer
- (viii) CPA Rule L2 - Procedures Pertaining to the Default of an Indirect Clearer
- (b) Additional guidelines pertaining to other aspects of the Canadian shared POS environment are contained in the following:
 - (i) *Canadian Code of Practice for Consumer Debit Card Services* (Electronic Funds Transfer Working Group, Industry Canada, 2004 Rev.); and
 - (ii) *Principles Applicable to Shared Electronic Point-of-Service Environments* (Canadian Payments Association, June 15, 1997).

Definitions

4. In this Rule,

- (a) “Acceptor” means the owner or operator of a POS Device who accepts a Card and who, if it is not also an Acquirer, presents transaction data to an Acquirer, provides goods, services, cash or other value to the Cardholder;
- (b) “Account Agreement” (or “PIN Agreement” or “Card Agreement”) means a written statement of terms and conditions relating to the use of a Card.
- (c) “Acquirer” means a person who captures transaction data from the Acceptor for transmittal to the Acquirer FI to reconcile the payment instruction sent by the Cardholder’s FI to the Acquirer FI;
- (d) “Acquirer FI” means a Member that holds an Acquirer’s account and receives the payment information from the Acquirer for the purpose of Exchanging, Clearing and Settling POS Payment Items on behalf of the Acquirer;
- (e) “Approve, Approved, Approval” means the affirmative response by an the Payor FI that Authentication and Authorization have occurred and that the Payor FI agrees to honour the resulting POS Payment Item;
- (f) “Authentication” means the techniques, procedures and processes established by the Payor FI to verify the identity or the security attributes of a Cardholder (i.e. the use of a Personal Identifier);
- (g) “Authorization” means the on-line, Real Time techniques, procedures and processes used by the Payor FI to verify the consent of a Cardholder to the POS Transaction;
- (h) “Card” means card or any other form factor used by a Cardholder in conjunction with a Personal Identifier to initiate a POS Transaction, which contains or accesses machine-readable data that is used to identify the Cardholder, its Payor FI and its Card Issuer and to route the messages that constitute a POS Item. For clarity, a Card includes a Card used to access a Pre-Funded Debit Account;

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- (i) "Cardholder" means the person to whom a valid Card is issued and who initiates a POS transaction;
- (j) "Cardholder's Account" means an account, held by a Payor FI, where funds are standing at the disposal of the Cardholder. For clarity, Cardholder's Account includes a Pre-Funded Debit Account;
- (k) "Card Issuer" means the person who issues a Card to a Cardholder;
- (l) "Cash" or "Currency" includes monetary value that is electronically stored using integrated circuit card technology;
- (m) "Co-branding Relationship" means an arrangement between a Member and a third party whereby the third party, in association with the Member, offers a Pre-Funded Debit Card product.
- (n) "Connection Service Provider – Point-of-Service" or ("Connection Service Provider") means an entity that connects directly to an electronic point-of-service network on behalf of another entity;
- (o) "Connection Service Provider Identifier" means a four to six character alphanumeric code which is issued by a Point-of-Service Payment Service to identify a Connection Service Provider – Point-of-Service;
- (p) "Delivering Direct Clearer" means a Direct Clearer that delivers Point-of-Service Payment Items to another Direct Clearer for the purpose of Clearing and Settlement;
- (q) Europay MasterCard Visa Chip Specifications (or "EMV™ Chip Specifications") means the internationally accepted series of procedures and specifications to ensure interoperability and acceptance of chip-based payment applications on a worldwide basis ("EMV" is a trademark owned by EMVCo LLC);
- (r) "Europay MasterCard Visa Payment Tokenisation Specifications" (or "EMV™ Payment Tokenisation Specifications") means the internationally accepted series of procedures and specifications for token-based payment applications on a worldwide basis ("EMV" is a trademark owned by EMVCo LLC);
- (s) "Payor Financial Institution" (or "Payor FI") means a Member that holds a Cardholder's Account, controls establishment and verification of the Personal Identifier which is used in conjunction with a Card to access that Cardholder's Account, and receives and responds to requests for Authorization;
- (t) "Personal Identifier" means a signature equivalent which is used as representative of a Cardholder with the intent of identifying that Cardholder and signifying that Cardholder's consent to each instruction initiated through a Point-of-Service Device (examples of a Personal Identifier may include personal identification numbers (PINs) and biometric identifiers);
- (u) "Point-of-Service Device" (or "POS Device") means a Card-activated device used by a Cardholder to initiate a Point-of-Service Transaction;

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- (v) "Point-of-Service Payment Item" or "POS Payment Item" means a Payment Item arising from a POS Transaction consisting of a payment order by a Cardholder and subsequent approval by its Payor FI, utilizing on-line Real-Time interactive messages, which result in a debit or a credit to the Cardholder's Account;
- (w) "Point-of-Service Payment Service" or "POS Payment Service" or "Service" means the network that facilitates POS Transactions;
- (x) "Point-of-Service Transaction" (or "POS Transaction") means an electronic payment transaction, initiated by a Cardholder using a Card and related Personal Identifier, which, if completed, gives rise to a Point-of-Service Payment Item;
- (y) "Pre-funded Debit Account" means a consolidated account held by a Member in the name of a corporate entity or government body, to which a Cardholder has access to a specified amount by means of a Card;
- (z) "Real-Time" means, in the context of Authentication, Authorization and Approval of a Point-of-Service Transaction, the immediate communication of such requests;
- (aa) "Receiving Direct Clearer" means a Direct Clearer that receives Point-of-Service Payment Items from another Direct Clearer for the purposes of Clearing and Settlement;
- (bb) "Settlement Intermediary" means a Direct Clearer that facilitates Settlement between a Delivering and Receiving Direct Clearer.
- (cc) "Token Service Provider" or "TSP" means an entity that, on behalf of a Payor FI, securely generates, manages, issues, or provisions payment tokens to the Payor FI or the Payor FI's Cardholder;
- (dd) "Two Factor Technique" means, in the context of Authentication, the verification of the identity of a Cardholder by the employment of two distinct identification components consisting of: (i) something the Cardholder has (e.g. the Cardholder's Card); and (ii) a Personal Identifier.

PART A

ROLES RESPONSIBILITIES AND RELATIONSHIPS FOR POINT-OF-SERVICE PAYMENT ITEMS

Part A of this Rule contains general rules pertaining to the roles, responsibilities and relationships applicable to the parties involved in the Exchange, Clearing and Settlement of POS Payment Items.

General

5. (a) In all matters relating to the Exchange, Clearing and Settlement of POS Payment Items for the purpose of Clearing and Settlement, each Member shall respect the privacy and confidentiality of a Cardholder's personal and financial information in accordance with applicable Canadian provincial and federal legislation governing the treatment of personal and financial information. In particular, only that information or data that is necessary to effect the processing of a Point-of-Service Payment Item is to be made available to an Acquirer and/or an Acceptor during and following a session. For greater clarity, the Cardholder's personal banking information, such as but not limited to authentication information and account balance, shall not be made available at any time to the Acquirer

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and/or Acceptor during and following the Point-of-Service Transaction session.

- (b) Where a Member Exchanges Point-of-Service Payment Items for the purpose of Clearing and Settlement on behalf of a non-Member Acquirer, that Member shall obtain a written undertaking from each such non-Member for which it acts, to be bound by, adhere to and comply with the requirements of this Rule.
- (c) Subject to subsection 8(f), each Acquirer FI shall be responsible and liable for every Point-of-Service Payment Item and every Payment Item purporting to be a Point-of-Service Payment Item that it delivers and shall indemnify the Association and its Members for any direct loss, costs or damages incurred by virtue of the Exchange of that Payment Item for the purpose of Clearing and Settlement.
- (d) While this Rule makes functional distinctions, it is recognized that one entity may play several roles in the context of a single POS Transaction. Further, this Rule permits the establishment of valid agency relationships for the performance of particular functions with non-Members provided that the proper written agreements, as outlined in this Rule, are in place, and that the Member remains responsible and liable for the functions performed by the agent or service provider on its behalf. For example, the instances where the same entity may play more than one function or where agency relationships may be established are the following:
 - (i) an Acceptor, Acquirer and Acquirer FI may all be the same entity; however, an Acquirer FI must be a Member whereas an Acceptor and Acquirer may be a non-Member; in any instance where an Acquirer FI is not an Acceptor or Acquirer and the Acceptor or Acquirer are not Members, the Acquirer FI is responsible for certain elements of the functions of the Acceptor or Acquirer in accordance with section 6 and section 9;
 - (ii) a Connection Service Provider may be a Direct Clearer, Indirect Clearer or a non-Member; in any instance where a Connection Service Provider is a non-Member and is providing services to an Indirect Clearer that is also the Payor FI, the Indirect Clearer is responsible for ensuring it has the proper arrangements in place with the Clearing Agent(s) it has appointed for the Settlement of POS Payment Items and that it settles with such Clearing Agent(s) in accordance with subsections 15(a) and 23(b), respectively; and
 - (iii) A Token Service Provider may be a Direct Clearer, Indirect Clearer or a non-Member. The Payor FI is responsible for ensuring it has the proper arrangements in place to ensure Settlement occurs in accordance with section 23.
- (e) Compliance with this Rule does not absolve a Member from complying with any other required legislation or Rule. Such legislation may include the *Personal Information Protection and Electronic Documents Act*, (2000, c. 5) ("PIPEDA") or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (2000, c. 17) ("PCMLTFA").

Acquirer FI Responsibilities

6. Each Member that functions as an Acquirer FI in a POS Payment Service is responsible for the

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following:

- (a) registering with the POS Payment Service;
- (b) ensuring each Acquirer for which it acts is registered with the POS Payment Service;
- (c) entering into an agreement with each Acquirer for which it holds an account whereby the Acquirer agrees, in all respects, to:
 - (i) comply with all applicable CPA By-laws and Rules including, in particular, Rule E1 and any CPA Standards that may be applicable;
 - (ii) ensure that the POS Payment Service has adequate information about each Acceptor for which it acts;
 - (iii) enter into an agreement with each Acceptor for which it acts, whereby the Acceptor agrees, in all respects, to:
 - (A) comply with all applicable CPA By-laws and Rules including, in particular, Rule E1 and any CPA Standards that may be applicable;
 - (B) make available to Payors its policies regarding security, privacy, returns and reimbursements;
 - (C) employ security measures and controls for POS Devices that are consistent with modern industry standards to protect the privacy and confidentiality of the POS Transaction and any information provided by the Cardholder; and
 - (iv) immediately begin an investigation to determine what action should be taken to remedy a situation where an Acquirer becomes aware that there is reasonable evidence or suspicion that an Acceptor is involved in suspicious activity relating to POS Transactions, or the Acceptor is not complying with this Rule; such action may require the Acceptor to amend its operating practices or, if required, result in a suspension of the clearing services for the Acceptor
- (d) acquiring, Exchanging, Clearing and Settling POS Payment Items for an Acquirer and its Acceptors;
- (e) where the Acquirer FI is not an Acceptor's financial institution, holding the funds in a segregated account such that the funds are legally protected for the benefit of and subsequent payment to the Acceptor; and
- (f) in any instance where the Acquirer FI is not an Acceptor and the Acquirer FI becomes aware that there is reasonable evidence or suspicion that an Acceptor is involved in suspicious activity relating to POS Transactions, or an Acceptor is not complying with this Rule, the Acquirer FI shall immediately begin an investigation to determine what action should be taken to remedy the situation; such action may require the Acceptor to amend its operating practices or, if required, result in a suspension of the clearing services for the Acceptor.

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7. (a) Where an Acquirer FI also functions as an Acquirer or an Acquirer and Acceptor are one and the same, the responsibilities with respect to Acquirers and Acceptors as set out in section 6 apply as applicable.
- (b) Where an Acquirer uses an agent to register Acceptors, the Acquirer FI shall ensure that the Acquirer is party to each agreement between an agent and an Acceptor and that all such parties comply with the requirements set out in this Rule and, in particular, section 6 above.

Payor FI Responsibilities

8. Each Member that functions as a Payor FI in a POS Payment Service is responsible for the following:
 - (a) registering with the POS Payment Service;
 - (b) entering into an agreement with the POS Payment Service whereby the Service agrees, in all respects, to:
 - (i) comply with all applicable CPA By-laws and Rules including, in particular, Rule E1 and any CPA Standards that may be applicable; and
 - (ii) employ security measures and controls for the POS Payment Service that are consistent with modern industry standards to protect the privacy and confidentiality of the POS Transaction and any information provided by the Cardholder and Acceptor;
 - (c) providing the Cardholder with a Cardholder Agreement or a PIN Agreement; either of which may be encompassed within an Account Agreement. Any such agreements shall clearly identify the Payor FI.
 - (d) If a Payor FI enters a valid agency agreement with a third party to supply such agreement(s) to its Cardholders, the Payor FI shall remain responsible for the content of the agreement(s) and shall clearly indicate that the Member is identified as the issuer of the card.
 - (e) where the Payor FI opts to use the services of a TSP, entering into an arrangement with the TSP whereby the TSP agrees, in all respects, to:
 - (i) comply with all applicable CPA By-laws and Rules including, in particular, Rule E1 and any CPA Standards that may be applicable;
 - (ii) comply with EMV[™] Payment Tokenisation Specifications, or an industry accepted equivalent; and
 - (iii) employ security measures and controls that are consistent with modern industry standards to protect the privacy and confidentiality of the POS Transaction and any information provided by the Cardholder and Acceptor.
 - (f) conducting Authentication, Authorization, and Approval for its customers who are Cardholders in a POS Payment Service. Authentication shall be conducted in Real-Time

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while Authorization and Approval shall be conducted in an on-line and Real-Time environment so that once Approval has occurred, the Payor FI shall honour and effect Settlement for the resulting POS Payment Item and if there is a failure in the Payor FI's Authentication or Authorization technology and/or its security controls and policies, the Payor FI shall be liable to its Cardholder and any applicable Members for any unauthorized POS Transaction; and

- (g) disclosing to its Cardholders the policies and procedures available to them for verifying the validity of a POS Payment Item.
9. A Payor FI may enter into a valid agency agreement with a third party to Authenticate its Cardholders and to Authorize Cardholders' consent to a POS Transaction. Notwithstanding the use of such an agent, the Payor FI shall remain obligated to settle for POS Payment Items once those Items have been Approved.

Co-Branding Relationships

10. Where there is a Co-Branding Relationship, the Payor FI shall be responsible for any issuance or establishment of the Cardholder's Personal Identifier as well as for the Authentication and Authorization of that Personal Identifier.

Pre-Funded Programs

11. Where a Payor FI enters into an agreement with a third party to offer Pre-Funded Debit Cards to its Cardholders, the Payor FI shall be liable for the aggregate value of all Pre-Funded Debit Cards issued with access to the account(s) associated with that pre-funded program.
12. Where a Payor FI enters into an agreement with a non-CPA Member to offer Pre-Funded Debit Cards to its Cardholders, the Payor FI shall disclose to its Cardholders the risks of usage associated with the pre-funded program.
13. Where a Payor FI has entered into an agreement with a non-CPA Member to offer pre-funded debit products to its Cardholders, the Payor FI shall remain the drawee.

Registration

14. Each Acquirer FI participating in a POS Payment Service shall exercise due diligence and "Know Your Customer" principles to ensure that only Acquirers in good standing are participating in the POS Payment Service and, in turn, that Acquirers are exercising the same due diligence when signing up Acceptors. At a minimum each Acquirer FI shall ensure that each Acquirer for which it holds an account captures the following information:
- (a) the full legal name and address of Acceptors;
 - (b) the type of business being offered by the Acceptors;
 - (c) the length of time that the Acceptors have been operating in their business; and
 - (d) any other information that will help identify Acceptors and the type of business in which they are engaged.

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Relationships

15. (a) Where an Indirect Clearer uses a Connection Service Provider – POS to process its POS Transactions in a POS Payment Service, that Indirect Clearer shall ensure that a clearing arrangement and settlement account is established in accordance with Rule D3.
- (b) For greater certainty, the establishment of an arrangement solely between an Indirect Clearer and a Connection Service Provider – POS does not fulfil the requirements of section 16 of By-law No. 3 and Rule D3.
- (c) Every Indirect Clearer shall give written notice to the President of its clearing arrangements for POS Payment Items in accordance with Rule D3.
- (d) Where an Indirect Clearer Payor FI has entered into an agreement with a non-CPA Member to offer pre-funded debit products to its Cardholders, the Indirect Clearer Payor FI shall disclose such pre-funded debit arrangements to its Clearing Agent.
- (e) A Direct Clearer that acts as a Representative for another Direct Clearer shall give notice of this arrangement to the President in accordance with Rule D1.
- (f) A Direct Clearer that acts as a Settlement Intermediary shall give notice of this arrangement to the President in accordance with Rule D1.
- (g) Each Direct Clearer that acts as a Representative making entries into the ACSS in respect of POS Payment Items on behalf of another Direct Clearer as a result of that Direct Clearer employing the services of a Connection Service Provider shall use the Institution Number of the Direct Clearer for which it is acting.
- (h) A Member may Exchange POS Payment Items, for the purpose of Clearing and Settlement, for a non-Member but the Member shall be responsible and liable for those transactions as if they were its own.

PART B GENERAL RULES FOR POINT-OF-SERVICE PAYMENT PROCESSING

Part B of this Rule contains general rules pertaining to the processing of POS Transactions and the Exchange of POS Payment Items.

Initiation of Point-of-Service Transaction

16. A POS Transaction is initiated when a Cardholder accesses a POS Payment Service through a POS Device using a Card.

Minimum Operational Requirements

17. Each Member shall ensure that its entries or entries made on its behalf into the ACSS in respect of POS Payment Items originate from an environment that adheres to the following:
- (a) Information Protection and Verification Requirements
- (i) The Personal Identifier shall not be displayed at the Point-of-Service Device.

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- (ii) In the case of a PIN, it is permissible to indicate entry of each character with an “X” (or equivalent character) and/or an audible tone of unvarying frequency and duration.
 - (iii) Cardholder information used during a POS transaction, including the Personal Identifier, shall be secured in accordance with modern industry standards.
- (b) Personal Identifier Verification and Protection
- (i) The Personal Identifier shall be protected in one of the following ways:
 - (1) where on-line Personal Identifier verification is used, the Personal Identifier shall be encrypted immediately after its entry into the POS Device using internationally or nationally recognized cryptographic algorithms and methods and shall remain encrypted until used for Authentication, which shall occur on-line in Real-Time;
 - (2) where off-line Personal Identifier verification is used in combination with EMV™ Chip Specifications or equivalent technology, the Personal Identifier shall be encrypted immediately after its entry into the POS Device using internationally or nationally recognized cryptographic algorithms and methods and shall remain encrypted until transmitted to the Card, or until received by the Card, for the purpose of Authentication; or
 - (3) where off-line Personal Identifier verification is used in combination with EMV™ Chip Specifications or equivalent technology, and where the Card reader and the means by which the Cardholder enters the Personal Identifier (e.g. via a PIN pad) are integrated into one secure physical unit, the Personal Identifier shall be transmitted directly to the Card in Real-Time for the purpose of Authentication, and may be encrypted using internationally or nationally recognized cryptographic algorithms.
- (c) Encryption and Decryption of the Personal Identifier
- Encryption and decryption of the Personal Identifier and any format changes shall be performed in a secure manner.
- (d) All messages comprising a POS Payment Item and the associated information relating to the Cardholder shall be protected to ensure their integrity and authenticity.
- (e) Cardholder Interface Requirements
- (i) The Cardholder shall have the ability to make corrections while entering instructions relating to a POS Transaction.
 - (ii) The amount of the POS Transaction shall be displayed to the Cardholder, who shall be given an option to accept or cancel the POS Transaction prior to the POS Transaction being sent for Authorization.
 - (iii) A cancellation by the Cardholder shall terminate the POS Transaction.

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- (iv) The Cardholder shall be advised in Real-Time of the disposition of each POS Transaction initiated by that Cardholder.
- (v) The POS Device shall require a POS Transaction to be completed before another POS Transaction can begin.

Authentication, Authorization

- 18. The Payor FI shall be responsible for Real-Time Authentication and on-line, Real-Time Authorization for any Cardholder using the data from or accessed by the Cardholder's Card and the Cardholder's Personal Identifier, prior to processing POS Transactions to the Cardholder's Account. Encryption of Card and Personal Identifier information shall conform to modern industry standards.
- 19. The Payor FI shall, as a minimum, use a Two Factor Technique for Authentication.
- 20. The Payor FI shall, in the event of a breach of security during a POS Transaction or timing out of a session, recommence Authentication and Authorization to ensure the integrity of the POS Transaction.
- 21. Authorization shall be conducted only if Authentication has been successfully completed.

Approval

- 22. Upon completion of Authorization, the Payor FI shall in on-line, Real-Time decide whether or not to Approve POS Transaction.

Effect of Approval

- 23.
 - (a) Upon Approval, the Payor FI is deemed to have accepted the Point-of-Service Payment Item, which shall create an obligation on the part of the Payor FI to Settle for that POS Payment Item.
 - (b) Where the Payor FI is a Direct Clearer, it shall Settle with the Delivering Direct Clearer.
 - (c) Where the Payor FI is an Indirect Clearer, it shall settle with the Receiving Direct Clearer. The Receiving Direct Clearer shall then be obliged to settle for that Payment Item with the Delivering Direct Clearer.
 - (d) For greater certainty, where the Payor FI is an Indirect Clearer that uses a Connection Service Provider – POS, the Payor FI shall settle with the Receiving Direct Clearer which is one of its designated Clearing Agents for POS Payment Items. That Receiving Direct Clearer shall then be obliged to settle for that Payment Item with the Delivering Direct Clearer.
 - (e) Notwithstanding subsections (b) and (c), where the Payor FI is a Direct Clearer that uses a Settlement Intermediary, it shall Settle with that Settlement Intermediary in lieu of settling with the Delivering Direct Clearer. The Settlement Intermediary shall be obligated to settle for that Payment Item with the Delivering Direct Clearer.

Subsequent Dishonour

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24. A POS Payment Item may not be dishonoured. As such, CPA Rule A4 – *Returned and Redirected Items* does not apply to POS Payment Items.

Record Retention

25. Each Member shall maintain sufficient internal records of POS Payment Items to determine and confirm that the amounts, due to and from other Members, calculated by the ACSS, are correct. These records shall be maintained for a period of one year. Errors in POS Payment Item deliveries entered into the ACSS may be contested and corrected in the manner provided for in Rule B1.

Settlement

26. CPA Rule B1 - *Intermember Clearing at Regional Exchange Points* and CPA Rule B2 - *Manual Preparation of Cheque Clearing Logs* apply to the Clearing of POS Payment Items through the ACSS. In particular,
- (a) entries into the ACSS in respect of POS Payment Items for the disbursement of currency (domestic or foreign), except in the case of adjustments, shall be made in the National Electronic Settlement Region using the *Shared Network* (N) stream identifier; adjustments for shared currency disbursement items shall be made using the *ABM Adjustments* (A) stream identifier (except where otherwise provided for under a POS Payment Service agreement); all other entries in respect of POS Payment Items shall be made in the National Electronic Settlement Region using the *Point of Service - Debit* (P) and *Point of Service - Credit* (Q) stream identifiers and POS stream identifiers shall only be used for POS Payment Items;
 - (b) ACSS entries shall be made in accordance with ACSS procedures and shall be made as soon as possible and no later than the ACSS closing time applicable to the Business Day following Authorization;
 - (c) such entries shall be made in a manner that reflects both the volume and value involved;
 - (d) ACSS entries using the stream identifier “A”, “N”, “P” or “Q” shall include the appropriate Connection Service Provider Identifier where the entries are in respect of POS Payment Items involving:
 - (i) a Connection Service Provider – POS who is a non-Member; or
 - (ii) a Member with multiple direct connections to an electronic point-of-service network; and
 - (e) errors in ACSS entries may be contested and corrected in the manner provided for within the ACSS procedures; refer to CPA Rule B1 – *Intermember Clearing at Regional Exchange Points*.

Audit Trail, Tracing

27. Each Member participating in a POS Payment Service must maintain an audit trail of each POS Transaction for a minimum period of 12 months that contains the information necessary for tracing requests. Each Member that is involved in the Exchange of a POS Payment Item for the purpose of Clearing and Settlement shall trace the disposition of that Payment Item if so

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requested by another Member. Each trace request shall contain the following information:

- (a) the unique POS Payment Item identifier that identifies the Cardholder and the Payor FI;
- (b) local transaction time, if available; and
- (c) total transaction amount.

Return / Refund

28. Where a Cardholder is to be refunded the amount of a POS Payment Item by an Acceptor or the amount of a POS Payment Item is to be returned to a Cardholder, the Acquirer FI shall process the return or refund by using the unique transaction number affixed to the POS Transaction and entering a POS Payment Item into the ACSS in stream "Q".

PART C CARDHOLDER INQUIRIES / COMPLAINTS

Part C of this Rule applies only to those Members that have not endorsed the current *Canadian Code of Practice for Consumer Debit Card Services* ("the *Debit Card Code*").

Part C of this Rule contains the procedures that shall apply to each Member involved in the Exchange, Clearing or Settlement of POS Payment Items if a Cardholder claims that an Approved POS Transaction, purportedly voluntarily initiated by the Cardholder that gave rise to a POS Payment Item, was actually initiated as a result of fraud or theft or was coerced by trickery, force or intimidation. None of the procedures outlined below preclude a party to a POS Payment Item from exercising its rights and seeking recourse outside of the Rules.

Payor FI Responsibilities

29. Payor FIs shall have clear, timely procedures for dealing with Cardholder claims, which shall include:
- (a) procedures to investigate the claim; and
 - (b) provisions for review of claims at a senior level within their institution.
30. When a Cardholder contacts its Payor FI with a claim, the Payor FI shall inform the Cardholder that:
- (a) the Payor FI will investigate the POS Payment Item(s) in question;
 - (b) a determination regarding any reimbursement will stem from the investigation;
 - (c) the Payor FI will respond to the Cardholder's claim as soon as possible, but no later than 10 Business Days; and
 - (d) during the investigation, the Payor FI may require a statement or affidavit from the Cardholder or request information from another Member which may result in the temporary suspension of the 10 Business Day time limit until the requested information is received.

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Member Responsibilities During Investigation

31. Each Member contacted by a Payor FI during the course of an investigation shall assist in the investigation and, if requested, trace the disposition of the POS Payment Item(s) in question as soon as possible in accordance with section 30 above.