

**CANADIAN PAYMENTS ASSOCIATION**  
**ASSOCIATION CANADIENNE DES PAIEMENTS**

**RULE K4**

**U.S. BULK EXCHANGE AUTOMATED SYSTEM**

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## **Rule K4 - U.S. Bulk Exchange Automated System**

### **Implementation and Revisions**

#### **Implemented**

September 20, 1989

#### **Amendments Pre-November 2003**

September 23, 1992, September 29, 1994, March 23, 1995, December 31, 1995, March 25, 1996, April 7, 1997, April 9, 1998, February 1, 1999, May 25, 2000, July 24, 2000 and March 31, 2003.

#### **Amendments Post-November 2003**

1. Appendix I, approved by the Board June 29, 2004, effective September 20, 2004.
2. Appendix I, approved by the Board December 1, 2004, effective January 31, 2005.
3. 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.
4. Consequential amendments to reflect changes made to Rule A4 to clarify the handling of Misdirected Items and Misdirected Returned Items, approved by the Board March 25, 2010, effective May 25, 2010.
5. Amendments to accommodate changes associated with the ACSS/USBE Workstation Renewal Project. Approved by the Board June 16, 2010, effective August 16, 2010.
6. Amendments to provide additional information and clarity around the correction of USBE volume and value errors. Approved by the Board February 13, 2014, effective April 7, 2014.
7. Amendments to accommodate changes associated with the IP Enablement Project. Approved by the Board June 18, 2015, effective August 17, 2015.
8. Amendments to sections 4 and 13 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.

## Rule K4 - U.S. Bulk Exchange Automated System

### Introduction

1. This Rule outlines the obligations and responsibilities of participating Direct Clearers with respect to the USBE system. This rule shall be read in conjunction with the ACSS/USBE User Guide, ACSS/USBE Service Level Description and all other pertinent Rules.

### Definitions

2. In this Rule,
  - (a) "Clearing" means the process of exchange and reconciliation of Payment Items and the calculation of the net amounts due to or by Members prior to Settlement;

### Responsibility of the Regional Clearing Association

3. The officers and Members of each RCA at a Bulk Exchange Point shall be responsible for the orderly conduct of the USBE system within their region.

### ACSS/USBE User Guide and ACSS/USBE Service Level Description

4. (a) ACSS/USBE User Guide
  - (i) The ACSS/USBE User Guide contains the procedures and operating instructions necessary to ensure the correct use of the ACSS/USBE system. It shall be followed at all times.
  - (ii) Should changes to the ACSS/USBE User Guide be found necessary or desirable, requests for such changes shall be referred to the CPA.
  - (iii) Where such changes necessitate amendments to the application programs, or are such as to require other technical involvement, their introduction shall be managed by the CPA.
  - (iv) Should the CPA find it necessary to effect technical changes to the system that impact upon the operation of the system and thus the ACSS/USBE User Guide, they shall so advise the Senior Operational Committee and seek its direction as to the timing and manner of introduction of such changes.
- (b) ACSS/USBE Service Level Description
  - (i) The ACSS/USBE Service Level Description outlines the CPA's service functions related to the delivery, support, and maintenance of the ACSS/USBE. The Service Level Description also outlines Direct Clearer responsibilities in using the ACSS/USBE services and support to ensure security and operability of the systems.
  - (ii) Each Direct Clearer shall ensure that it remains in compliance with all requirements outlined in the ACSS/USBE Service Level Description (available through the CPA Service Desk) and the CSN Service Level Description, as these may be amended from time to time. The CPA may request that a Direct Clearer complete an attestation form to verify compliance with these terms and conditions, as applicable to that Direct Clearer. The attestation form will be provided by the CPA.

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### Dedicated ACSS/USBE Workstations, Back-up and System Support

5. (a) Each Direct Clearer shall ensure that each ACSS/USBE workstation that it uses, or that is used on its behalf by a third party service provider, is dedicated to and used exclusively for the ACSS/USBE and, if applicable, to access LVTS in accordance with the CPA LVTS Rules and the LVTS Service Level Description.
- (b) The ACSS/USBE workstation shall not be connected to a public network (e.g., direct or indirect connectivity to the internet).
- (c) Each Direct Clearer shall ensure that each ACSS/USBE workstation that it uses, or that is used on its behalf by a third party service provider, provides anti-malware and operating system patches/updates as per their internal corporate policies and procedures.
- (d) Each Direct Clearer shall ensure that back-up arrangements are in place to accommodate contingency situations which may arise.
- (e) For system support, Direct Clearers and other ACSS/USBE users shall contact the CPA Service Desk, as outlined in Appendix I.

### USBE Entries, System-Generated Cheque Clearing Logs, Off-Line Logs, On-Line Update of Off-Line Log Clearing Data

6. (a) All USBE entries shall be entered into the system as soon as they are available.
- (b) During normal operation of the system, Cheque Clearing Logs included with Items being exchanged shall be system generated.
- (c) In the event on-line access to the USBE host computer is not available, off-line Logs generated by a regional USBE workstation, or manually prepared (refer to section 7), shall accompany the Items being generated.

These logs shall be clearly annotated that they are "off-line Logs" and that the on-line USBE updates have yet to be made.

- (d) The on-line entry of Clearing data shall be made within one hour of the exchange containing the off-line Logs. This shall be achieved by entering the data from the home ACSS/USBE workstation, if it has reacquired on-line access, or by migrating to a backup workstation arranged in accordance with subsection 5(d). The backup workstation may be in another region, or, based on prearranged contingency plan, may be an ACSS/USBE workstation of another Direct Clearer in the same region. Completion of on-line updates shall be notified to receiving Direct Clearers.

### Manually Prepared Cheque Clearing Logs

7. Where a Cheque Clearing Log cannot be generated on-line or off-line via an ACSS/USBE workstation, it shall be prepared manually in accordance with Rule B2.

### Volume and Value

8. Entries into the USBE system shall include the total number of transactions, the stream code, and the gross amount.

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**Cut-Off Times for Deliveries**

9. Initial and final closing times, expressed below as local times, vary by region. Prior to the regional and national electronic initial closing time, deliveries shall automatically effect a change to the balances due to or from each Direct Clearer, notwithstanding that such deliveries may be contested.

(a) For the following Bulk Exchange Points:

Regional Closing Time For Paper and AFT Items							
Bulk Exchange Point	Local Closing Times			OT * + or -	Ottawa Time Closing Times		
	Initial Time	Final Time	CPA Extension Notifications		Initial Time	Final Time	CPA Extension Notifications
Montreal	12:30	14:45	14:30-14:45	0-	12:30	14:45	14:30-14:45
Toronto	12:30	14:45	14:30-14:45	0-	12:30	14:45	14:30-14:45
Winnipeg	12:30	13:45	13:30-13:45	1-	13:30	14:45	14:30-14:45
Calgary	12:30	12:45	12:30-12:45	2-	14:30	14:45	14:30-14:45
Vancouver	11:45	11:45	N/A	3-	14:45	14:45	N/A
*OT	Ottawa Time						

(b) For the National Electronic Bulk Exchange Point:

National Electronic Closing Time For Electronic Items		
Ottawa Time Closing Time		
Initial Time	Final Time	CPA Extension Notification
14:30	14:45	14:30-14:45

**Contested Delivery and Discrepancy in Volumes**

10. (a) In the event of a Contested Delivery:

- (i) the delivering Direct Clearer shall correct the error and effect the appropriate change to the USBE entry;
- (ii) subject to subsection (iii), the minimum amount that may be contested is at the discretion of each Regional Clearing Association but this amount shall not exceed \$50,000;
- (iii) errors of \$20.00 or less shall be absorbed by the receiving Direct Clearer;
- (iv) no Direct Clearer is obligated to accept Items after the scheduled Clearing exchange;
- (v) Misdirected Items shall be returned to the Negotiating Institution; and

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- (vi) Misdirected Returned Items shall be returned to the Drawee.
- (b) No Contested Delivery shall be made in respect of a discrepancy in the volume of Items within a delivery. Upon discover of such a discrepancy, where the difference is greater than 1,000 items, written notice of such a discrepancy shall be provided to the CPA Service Desk, which shall adjust the Clearing statistics accordingly.
- (c) No Contested Delivery shall be made in respect of a delivery made to the wrong stream where the amount of the delivery has been entered correctly. Upon discovery of an entry to the wrong stream, written notice shall be provided to the CPA Service Desk, which shall adjust the Clearing statistics accordingly.

#### Re-opening of USBE

11. Each re-opening shall be:

- (a) made after the initial closing time but before the final closing time;

Note: As the initial and final closing times in Vancouver are identical, all corrections in this region will be as described in subsection 12(b);

- (b) made pursuant to a mutual agreement between the Direct Clearers involved;

- (c) in respect of an amount greater than or equal to \$1,000,000;

Note: A difference of \$20.00 or less shall be absorbed by the receiving Direct Clearer. A difference exceeding \$20.00 but less than \$1,000,000 shall be adjusted as described in subsection 12(b).

- (d) made pursuant to a valid reason, such as, but not limited to, one of the following:
  - (i) listing of Item(s) for a wrong amount;
  - (ii) failing to list Item(s) included in the Exchange;
  - (iii) routing Item(s) to the wrong Direct Clearer;
  - (iv) improperly including Item(s) in a delivery to another Direct Clearer;
  - (v) failing to include Item(s) listed;
  - (vi) failing to Exchange Item(s) arising from transactions completed prior to 24:00 hours local time on the previous Business Day; or
  - (vii) failing to Exchange Item(s) because of delayed transmission of payment instructions in an emergency situation declared on the previous Business Day; and
- (e) All USBE re-openings shall be identified by the appropriate reason code.

#### Clearing Adjustments After Final Closing

- 12. (a) After the final closing time, taking into account any extension, the USBE shall cease to accept entries for the current Exchange cycle.

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- (b) Where a USBE error is detected and agreed upon by the affected Direct Clearers after the final closing time, affected direct clearers use an Inter-member Debit or Settlement Voucher to correct the error as soon as possible. Where such error also involves a discrepancy in the volume of Items, written notice of the volume discrepancy shall be provided to the CPA Service Desk, which shall adjust the Clearing statistics accordingly.

#### Re-Opening Entries

13. (a) In such circumstances as may be defined from time to time by the Senior Operational Committee, the Canadian Payments Association may extend the acceptance of re-opening entries beyond the normal closing time. The CPA shall only make such extensions 15 minutes prior to final closing time.
- (b) Only one extension (for a duration of 15 minutes) shall be allowed for each region, each day.

#### Suspension of Exchanges

14. In those instances where participating Direct Clearers have agreed to recommend suspension of exchanges of paper Items, the request shall be given as soon as possible to the President of the CPA by the Chairperson or Vice-Chairperson of the RCA at that Bulk Exchange Point.

#### System Failure

15. The detailed procedures to be followed in the event that a system failure prevents the automated determination of final balances are described in the USBE User's Guide and Rule K5.

#### Regional or Civic Holidays

16. The USBE system shall be operative in all regions except during national holidays. Regional and Civic Holidays are considered normal business days. No special arrangements are necessary for operations during Regional or Civic Holidays other than such as are currently required to permit the efficient exchange of Items between Direct Clearers. (Refer to section 25 of Rule K1).

**U.S. Bulk Exchange Automated System  
CPA Service Desk Contact Information**

**Hours of Availability**

Twenty Four (24) hours per day, Seven (7) days per week

**Telephone Number\***

1-800-263-8863

**Fax Number**

1-613-907-1335

**\* The telephone number is automatically re-routed to the alternate service desk in the event of a problem at the primary service desk.**