

CANADIAN PAYMENTS ASSOCIATION
ASSOCIATION CANADIENNE DES PAIEMENTS

RULE B10

**TRACING, CLEARING ERRORS
AND
USE OF PHOTOCOPIES**

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Implemented

February 1983.

Amendments Pre-November 2003

September 1985, March 4, 1987, March 2, 1988, January 1990, September 29, 1994, November 27, 1995, December 9, 1997, February 4, 1998, May 25, 2000, July 24, 2000, October 5, 2000, December 4, 2000, March 22, 2001, May 21, 2001, January 28, 2002 and April 15, 2002.

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 for clarification purposes and to reflect current processes, approved by the Board October 7, 2004, effective December 6, 2004.
3. Amendment to Section 12 to accommodate the change to the return timeframe for amount encoding errors from 12 months to 90 Days, approved by the Board October 15, 2009, effective November 15, 2009.
4. Consequential amendments to sections 12 (c) (i) (1), in relation to the addition of the “Intended Payee(s) Not Paid” reason for Return, approved by the Board October 15, 2009, effective December 14, 2009.
5. Consequential amendment to section 1 pursuant to Rule A10, approved by the Board December 2, 2009, effective June 1, 2010.
6. Consequential amendment to sections 1 and 12 to accommodate changes to Rule A10. Approved by the Board December 2, 2010, effective June 1, 2011.
7. Amendment to section 1 and subsection 7(a) to accommodate the use of Clearing Replacement Documents, approved by the Board March 29, 2012, effective October 1, 2012.
8. Consequential amendments to accommodate changes to Rule A4 regarding the return process for Items with processing errors, approved by the Board October 11, 2012, effective February 4, 2013.



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Rule B10 – Tracing, Clearing Errors and Use of Photocopies

Introduction

1. This Rule sets out the procedures to be followed with respect to the tracing and correction of errors in the Clearing of paper Items subsequent to Settlement, the processing of associated Adjustments and the Exchange of photocopies of Payment Items. These matters shall be resolved with the least possible delay. For the purpose of this Rule, an Image Printout may be used in place of a photocopy. For requirements applicable to the use of Image Printouts or Return Replacement Documents for the purpose of return, refer to Rule A10.

Definitions

2. In this Rule,
 - (a) “Adjustment” means a credit or debit required to rectify or reconcile a clearing error. Examples of such errors include, but are not limited to, the receipt of Free Items, capture or balancing errors, or missing items.
 - (b) “Free Item” means an Item that is received and not included in the accompanying Listing; and
 - (c) “Machine Adding Out” means the Listing total does not reflect the true value of the listed Items.

Missing Item(s) and Bundles of Items

3. Missing Items and bundles of Items (refer to Rule A1) shall be dealt with as follows:
 - (a) Where one or more bundles of Items is missing:
 - (i) an Adjustment shall be prepared by the receiving Direct Clearer for each missing bundle in accordance with section 4. The entry shall clearly indicate “bundle missing”;
 - (ii) the receiving Direct Clearer shall immediately give notice, by telephone, to the delivering Direct Clearer of the missing bundle(s); and
 - (iii) where the delivering Direct Clearer can demonstrate that some of the Items contained in a bundle were paid by the receiving Direct Clearer, the delivering Direct Clearer shall return the Adjustment to the receiving Direct Clearer with supporting details.
 - (b) Where one or more Items is missing from a bundle, Adjustments shall be made in accordance with section 4.

Adjustments

4. (a) An Adjustment shall be prepared by the receiving Direct Clearer for each Listing containing an error(s), i.e.:
 - (i) where a single Listing contains more than one error of the same type, a single Adjustment shall be prepared for all of the errors within that Listing; and



Rule B10 – Tracing, Clearing Errors and Use of Photocopies

- (ii) where errors appear within separate Listings, a separate Adjustment shall be made for each Listing involved.
- (b) no Adjustment shall be pursued where the amount of the Adjustment is \$20.00 or less.
- (c) a Direct Clearer shall accept an Adjustment from another Direct Clearer for an amount over \$20.00, provided it is accompanied by full tracing information, as indicated in section 5.
- (d) Adjustments must be made within six (6) months of the Exchange of the Items involved.
- (e) for paper-based bill payment Remittances presented in accordance with Rule H6, an Adjustment for any amount may be made, provided it is accompanied by full tracing information, as indicated in section 5.

Tracing Information

5. The tracing information accompanying each Adjustment shall include:

- (a) the reason for the Adjustment;
- (b) the Bank of Canada Settlement date;
- (c) the amount of the Adjustment; and
- (d) in the case of an error(s) within a Listing:
 - (i) where the Items involved were Exchanged in an automated stream:
 - 1) the total amount of the Listing;
 - 2) the date of the Listing; and
 - 3) the sequential position(s) of the problem Item(s) as it(they) appear(s), or, in the case of a Free Item(s), should have appeared, on the Listing

or,

 - (ii) where the Items involved were Exchanged in a non-automated stream:
 - 1) the total amount of the corresponding bundle;
 - 2) the sequential position(s) of the problem Item(s) within the bundle; and
 - 3) if available, the machine symbol, batch number of the bundle, and trace number(s) of the problem Item(s).

or,



Rule B10 – Tracing, Clearing Errors and Use of Photocopies

- (iii) the information indicated in paragraphs (i) and (ii) may be provided in the form of a photocopy of the Listing. In this case, the position of the problem Item(s) shall be indicated, e.g., by circling the corresponding amount(s) or, in the case of a Free Item(s), indicating where the amount(s) should have appeared. Where the Listing is undated or undomiciled, the receiving Direct Clearer shall record the details of the corresponding Cheque Clearing Log.

Response to Adjustments

- 6. On receipt of an Adjustment for a missing Item, the delivering Direct Clearer shall determine if an offsetting credit is being held. If no offsetting credit is being held, the delivering Direct Clearer shall produce a photocopy of the missing Item, and Exchange it as a replacement of the original Item. The following procedures shall apply:
 - (a) where a photocopy is obtained, it shall be attached to an Inter-Member Debit which shall indicate that the photocopy represents an Item lost in transit;
 - (b) where the delivering Direct Clearer is unable to obtain a photocopy of the reverse side of the Item, a stamp guaranteeing the existence of the original Endorsement(s) on the Item shall be placed on the reverse side of the photocopy; and
 - (c) the Inter-Member Debit and the attached photocopy shall be exchanged as an Unqualified Item.
 - (d) where the Item is a Returned Item, the MICR Encoding of the Inter-Member Debit shall contain Returned Item transaction code 28 in the transaction code section of the On-Us field.

Original Item Not Available

- 7. (a) Where a Payment Item or a CRD has been received and dishonoured by the Drawee, a photocopy replacement (showing the face and back of the original Item) may be used for the purpose of return only when the original Item has been lost, inadvertently destroyed, or seized by legal authorities.
- (b) The Drawee shall:
 - (i) obtain a photocopy of the original Item and identify the Negotiating Branch;
 - (ii) place the photocopy in a Returned Item Carrier Envelope or attach it to a Returned Item slip; and
 - (iii) deliver the photocopy to the Negotiating Branch, indicating that the original Item is not available.
- (c) Where a Returned Item is missing, the Drawee shall:
 - (i) obtain a photocopy of the original Item and identify the Negotiating Branch;
 - (ii) place the photocopy in a Returned Item Carrier Envelope or attach it to a Returned Item slip; and
 - (iii) clear the photocopy to the Negotiating Branch, indicating that the original Item was returned by the Drawee Branch and lost in transit.



Rule B10 – Tracing, Clearing Errors and Use of Photocopies

- (d) A Member that is required or requested to provide a photocopy of an item shall respond as soon as possible but not later than:
- (i) five (5) business days from the date of receipt of an Adjustment or Inter-Member Trace Request form (Appendix I); or
 - (ii) three (3) business days from the date of expected receipt of the Item, where the requirement or request originates within the same Financial Institution.

Quality of Photocopies

8. A Member that must produce a photocopy shall ensure that the Information on both the front and back of the Item is legible. Where the information is illegible, the Member shall ensure that full tracing particulars, as defined in section 5 of this Rule, appear on the photocopy or the carrier envelope in which it will be placed.

Free Item(s)

9. With respect to Free Items,
- (a) The following procedures shall apply where one or more Free Items is included in a bundle:
 - (i) Adjustments shall be made in accordance with section 4;
 - (ii) to identify the Data Center which processed the Free Item(s), a special stamp bearing that Data Centre's eight-digit Transit Number and the date on which that Data Centre processed the Item(s) shall be placed on the front, and preferably the top right-hand corner, of each Item,

Example: 00140-004 Mar 17, 1994

Month - 4 characters maximum
Year - 4 characters maximum;
 - (iii) a separate Settlement Voucher shall be issued for each Free Item, where practical; and
 - (iv) a photocopy of the front and back of each Free Item shall be attached to the Adjustment.
 - (b) The following procedures shall apply where one or more bundles of Free Items is included in a delivery:
 - (i) bundles containing Items drawn on another Direct Clearer shall be returned to the delivering Direct Clearer;
 - (ii) bundles containing Items drawn on the receiving Direct Clearer shall be processed and a Settlement Voucher issued to the delivering Direct Clearer for each bundle; and
 - (iii) the receiving Direct Clearer shall give notice, by telephone, to the delivering Direct Clearer of the fact that it has received a bundle(s) of Free Items.



Rule B10 – Tracing, Clearing Errors and Use of Photocopies

Wrong Listing

10. In instances where the Items contained in a bundle do not correspond with the attached Listing, the Items shall be returned to the delivering Direct Clearer unprocessed, if possible. Should the Items already be processed, the receiving Direct Clearer shall proceed as follows:
- (a) a Listing of all Items received shall be prepared and provided to the delivering Direct Clearer, which shall be credited for the total value of the Items; and
 - (b) the delivering Direct Clearer shall be debited for the total value of the incorrect Listing, which shall be attached to the Adjustment.

Machine Adding-Out

11. (a) In the event of a difference resulting from a proof Machine Adding Out, the entire Listing shall be photocopied and attached to the Adjustment, together with a copy of a Listing showing the correct total.
- (b) The receiving Direct Clearer shall immediately give notice, by telephone, to the delivering Direct Clearer of the error.

Item Incorrectly Amount-Encoded

12. (a) An Item is deemed to be incorrectly amount-encoded when the MICR encoded amount differs from the amount written in figures on the face of the Item.
- (b) No Item incorrectly amount-encoded for a difference of \$20.00 or less shall be returned for the reason "Item incorrectly amount-encoded".
- (c) Each Item incorrectly amount-encoded for a difference over \$20.00 may be returned to the Negotiating Institution for the reason "Item incorrectly amount-encoded", provided the item is returned within 90 calendar days of receipt by the Drawee. The Drawee shall not certify the Item nor enface the Item with the Item Dishonoured Stamp.
- (d) An Item that has been returned for the reason "Item incorrectly amount-encoded" and Exchanged by the Negotiating Institution a second time in the correct amount may be subsequently returned by the Drawee for any other applicable reason (e.g. NSF, account closed) in accordance with CPA Rules.

Tracing Limits

13. (a) Tracing requests shall be initiated through use of the form contained in Appendix I. Subject to the exceptions listed in paragraphs (i) and (ii) below, tracing requests regarding Items under \$20.00 should not be made. However, this limit may be waived at the discretion of the RCA and a lower limit established. In that case, all other RCAs should be informed.
- (i) Under special circumstances, such as where there is suspicion of forgery or fraud, tracing requests for any amount may be initiated. Such requests shall receive priority attention, providing the special circumstances are indicated; or
 - (ii) Where the Item in question is a paper-based bill payment Remittance, presented in accordance with Rule H6, tracing requests for any amount may be initiated.



Rule B10 – Tracing, Clearing Errors and Use of Photocopies

- (b) For tracing requests where a photocopy is required for a missing Item, the time frame provided in subsection 7(d) applies. For all other tracing requests where a photocopy is required, the information requested shall be provided as soon as possible but not later than three (3) weeks from the date of receipt of the tracing request.

Report of Differences

14. Within each RCA, by the 20th day of each month, each participating Direct Clearer shall prepare a report to every other participating Direct Clearer (nil report required) indicating outstanding credit differences and Free Items with all Direct Clearers for amounts of \$50.00 and over as at the end of the previous month. This dollar limit may be reduced at the discretion of the RCA. The date of Identification by the delivering Direct Clearer shall be recorded on the report under date of difference together with sufficient comments to identify the type of difference.

Record Retention

15. Subject to the exception outlined below, Direct Clearers shall maintain all records necessary to respond to trace requests and specific supporting documentation for a minimum period of twelve (12) months.
- (a) A Direct Clearer may require that another Direct Clearer retain its records relating to a specific Adjustment until all tracing information has been provided.
- (b) Tracing records and specific supporting documentation for an Item in Dispute shall be retained until the matter is resolved.
- (c) Upon request, records relating to a period during which a Member suffered a contingency situation should be retained until the affected Member advises that they may be destroyed.

Contract Persons and Proof Machine Identifiers

16. Within each RCA, each participating Direct Clearer shall provide to every other participating Direct Clearer:
- (a) the names and telephone numbers of its tracing personnel; and
- (b) samples of its proof machine line Identifiers, which should contain the appropriate Data Centre Identification number.

Updates to this information shall be provided whenever a change occurs.



Intermember Tracing Standards

TRACING REQUEST / DEMANDE DE RECHERCHE	DATE: _____ MM DD/JJ YY/AA
MAIL TO : DESTINATAIRE :	FROM: EXPÉDITEUR :
	CONTACT : TELEPHONE : <i>(Please print / S.V.P. écrire en caractères imprimés)</i>
<input type="checkbox"/> COPY REQUESTED COPIE REQUISE <input type="checkbox"/> CUSTOMER INITIATED INITIÉE PAR LE CLIENT <input type="checkbox"/> MISSING ITEM EFFET PERDU	AMOUNT MONTANT : \$ _____ / _____ DATE OF ERROR DATE DE L'ERREUR _____ MM DD/JJ YY/AA
<input type="checkbox"/> TRACING PARTICULARS REQUIRED DÉTAILS SUR L'IDENTIFICATION REQUIS <input type="checkbox"/> HOW ITEM WAS CLEARED COMMENT L'EFFET A ÉTÉ COMPENSÉ <input type="checkbox"/> OR RECEIVED OU RECU	SEQUENCE NUMBER NUMERO DE SEQUENCE : _____ ENCODED / CODÉ : <input type="checkbox"/> SUNDRY / DIVERS : <input type="checkbox"/> COPY OF LISTING ATTACHED COPIE DE LISTE CI-ANNEXÉE <input type="checkbox"/>
DATE OF LISTING DATE DE LA LISTE MM DD/JJ YY/AA RECAP TOTAL / TOTAL RECAPITULATIF \$ _____ LIST TOTAL / TOTAL DE LA LISTE \$ _____ BETWEEN ITEMS / ENRE LES EFFETS \$ _____ / \$ _____	
ADDITIONAL INFORMATION FOR REMITTANCE TRACING/RENSEIGNEMENTS SUPPLÉMENTAIRES POUR REPÉRER LE VERSEMENT	
CORPORATE CREDITOR / ENTREPRISE CRÉANCIERE _____ CORPORATE CREDITOR IDENTIFICATION NUMBER / NUMÉRO D'IDENTIFICATION D'ENTREPRISES CRÉANCIERE : _____ PAYOR / PAYEUR : _____ PAYOR IDENTIFICATION NUMBER / NUMÉRO D'IDENTIFICATION DU PAYEUR : _____	DATE OF PAYMENT / DATE DU PAIEMENT : _____ AMOUNT OF PAYMENT / MONTANT DU PAIEMENT : _____ REMITTANCE TOTAL / VERSEMENT TOTAL : _____
ADDITIONAL INFORMATION AND/OR COMMENTS / RENSEIGNEMENTS ET (OU) COMMENTAIRES SUPPLEMENTAIRES	
REFERENCE NO. / NUMÉRO DE RÉFÉRENCE :	SIGNATURE :
REPLY / RÉPONSE	
DATE: _____ MM DD/JJ YY/AA	
<input type="checkbox"/> COPY ATTACHED COPIE JOINTE	WE RECEIED THIS ITEM FROM _____ ON THE ATTACHED LISTING. FURTHER INQUIRIES SHOULD BE DIRECTED TO THEM.
<input type="checkbox"/> COPY NOT AVAILABLE COPIE NON DISPONIBLE	NOUS AVOND RECU CET EFFET DE _____ SUR LA LISTE JOINTE. POUR DE PLUS AMPLES RENSEIGNEMENTS, S'ADRESSER A CETTE INSTITUTION.
ADDITIONAL INFORMATION AND/OR COMMENTS – RESEIGNEMENTS ET (OU) COMMENTAIRES SUPPLÉMENTAIRES	
SIGNATURE :	

ORIGINAL – TO PROCESSING DIRECT CLEARER / EXPÉDIER AU DESTINATAIRE
 COPY 1 / COPIE 1 – RETURN TO ORIGINATING DIRECT CLEARER / RETOURNER A L'ADHÉRENT ORIGINATAIRE
 COPY 2 / COPIE 2 – RETAINED BY ORIGINATING DIRECT CLEARER / CONSERVER PAR L'ADHÉRENT ORIGINATAIRE



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