

CANADIAN PAYMENTS ASSOCIATION
ASSOCIATION CANADIENNE DES PAIEMENTS

RULE H1
PRE-AUTHORIZED DEBITS
(PADs)

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Rule H1 - Pre-Authorized Debits (PADs)

Implementation and Revisions

Implemented

April 15, 2002

Amendments Pre-November 2003

July 15, 2002, November 25, 2002, March 31, 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. Amendments made to Appendix III approved by the Board November 27, 2003, effective January 26, 2004.
3. Amendments made as a result of a holistic review of the entire Rule by the Special Purpose Working Group on Pre-Authorized Debits, approved by the Board February 21, 2008 and effective June 20, 2008. There will be a grace period which shall end on February 28, 2010, in order to effect all of the changes necessary to comply with the new Rule.
4. Minor amendments consistent with the holistic review of the entire Rule by the Special Purpose Working Group on Pre-Authorized Debits, approved by the Board June 12, 2008, effective July 12, 2008.
5. Amendment to section 3 to add reference to Rule A1 and addition of note to subsection 17(b). Approved by the Board June 12, 2008, effective September 2, 2008.
6. Amendments to accommodate the elimination of RIV's in the clearing and to allow for the retention of Reimbursement Claim forms by the Drawee, approved by the Board October 11, 2007, effective October 20, 2008.
7. Amendments to provide clarification surrounding the processing of Notice of Change transactions. Approved by the Board June 16, 2010, effective August 16, 2010.

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Part I – General

General - Introduction

1. This Rule outlines the procedures for the Exchange for the purpose of Clearing and Settlement of every Pre-Authorized Debit. There are four categories of PADs:
 - Business PAD,
 - Cash Management PAD,
 - Funds Transfer PAD, and
 - Personal PAD.

General - Scope

2. This Rule applies to Payment Items that are supported by an ongoing agreement from a Payor and/or a Payee, as applicable, in the form of a Payor's PAD Agreement and/or a Payee Letter of Undertaking, as applicable.

This Rule and the Appendices to this Rule are subject to any and all applicable laws including, without limitation, any and all applicable laws relating to consumer protection.

All provisions of this revised Rule H1 are in effect as of June 20, 2008; however, this revised Rule will not be enforced until the expiry of a grace period which shall end on February 28, 2010. Payor's PAD Agreements in effect and Authorized before February 28, 2010 need not be updated or revised.

PADs may be for fixed or variable amounts and recurring at Set Intervals or may be Sporadic. PADs that are Sporadic must have the necessary Authorization for each and every PAD transaction.

Any debit issued by a Payee that is not supported by a Payor's PAD Agreement and/or a Payee Letter of Undertaking, as applicable, is not permitted under this Rule.

General - References

3. This Rule shall be read in conjunction with the following Rules, Standards and guidelines:
 - (a) Introduction to the Rules Manual;
 - (b) Rule A1;
 - (c) Rule A4, except as otherwise provided in this Rule or in Rule A4;
 - (d) Section "F" of the Rules Manual;
 - (e) Standard 005;
 - (f) Standard 006; and
 - (g) any guidelines relating to PADs published by the Canadian Payments Association on its website from time to time.

General - Appendices

4. The provisions of each of Appendices I, II, III, IV, V and VI form part of this Rule and are incorporated by reference herein.

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General - Definitions

5. In this Rule,

- (a) "Authorization" means signing, execution or similar adoption by a Payor, including but not limited to the use of a user id / password combination or other Commercially Reasonable method, for the purpose of signifying the consent and/or agreement of the Payor in accordance with applicable laws and "Authorized" has a corresponding meaning;
- (b) "Business" means any commercial entity including, but not limited to, any corporation, partnership, sole proprietorship, trust, franchise, association, government entity, venture or enterprise;
- (c) "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 franchisors, distributors and suppliers, and dealers and manufacturers that has been identified as a Business PAD "transaction type" in accordance with section 17 below;
- (d) "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);
- (e) "Commercially Reasonable" is a term used to describe certain security procedures, specifically, the verification of a person's identity; the reasonableness of which, ultimately can be determined by a court of law in light of the purposes of the procedure and the commercial circumstances at the time the procedure was used, including, but not limited to:
 - i. the nature of the particular business;
 - ii. the amount of the particular transaction;
 - iii. the Payee's volume of payments;
 - iv. the sophistication of the parties;
 - v. the availability of alternatives offered to but rejected by either of the parties;
 - vi. the cost of alternative procedures;
 - vii. the procedures in general use for similar types of business and payment applications; and,
 - viii. whether there is an existing business relationship between the parties.

Some examples of Commercially Reasonable methods of verification include, but are not limited to:

- i. requesting several forms of identifying information and confirming that information from customer databases;
- ii. obtaining information from credit bureau or third party databases and subsequently requiring the Payor to answer specific questions derived from same;
- iii. sending the Payor a specific piece of information to an independently verified address either on-line or off-line and subsequently requiring the Payor to verify that information;
- iv. the use of caller identification; and,
- v. the use of biometric methods such as voice recognition.

The above examples can be used individually, in combination, or with other methods to form a Commercially Reasonable procedure, subject to an assessment of the commercial

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circumstances set out above.

- (f) “Confirmation” means the mandatory Written notice from the Payee to the Payor prior to the first PAD wherein the details agreed to by the Payor in setting up an Electronic Agreement with the Payee are communicated in accordance with Appendix IV;
- (g) “Electronic Agreement” means a Payor’s PAD Agreement that is not a Paper Agreement and that has been Authorized in accordance with this Rule by way of telephone, Internet, e-mail or other electronic means;
- (h) “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 investments accounts;
- (i) “Member Payee” means a Member who is also a Payee;
- (j) “Paper Agreement” means a Payor’s PAD Agreement that has been Authorized in accordance with this Rule on paper and exchanged in person or by mail, courier, facsimile transmission, e-mailed scan or any other method by which a paper instrument may be exchanged between persons, and does not include Confirmation received by the Payor subsequent to entering into an Electronic Agreement;
- (k) “Payee” means a person whose account at a Member is to be, or has been, credited with the amount of a PAD;
- (l) “Payee Letter of Undertaking” means in the case of a Business PAD, Cash Management PAD or Personal PAD, a Written agreement between a Payee and its Sponsoring Member which outlines the Payee’s responsibilities and agreement to comply with this Rule and contains the mandatory information set out at Appendix I;
- (m) “Payor” means a person whose account at a Member is to be, or has been, debited with the amount of a PAD;
- (n) “Payor’s PAD Agreement” means a continuing but revocable Written or otherwise Recorded authority that has been signed or otherwise Authorized containing the mandatory provisions set out in Appendix II, given by a Payor to a Payee that provides an Authorization for the Payee to issue PADs against the Payor’s account at its Processing Member;
- (o) “Personal PAD” means a PAD drawn on the account of a Payor for payments such as, but not limited to, charitable donations, non-Member investment contributions, mortgage installments, utility bills, insurance premiums, membership fees, property taxes, credit card billings, lines of credit, loans and payment for other consumer goods or services but not a Business PAD, a Cash Management PAD or a Funds Transfer PAD;
- (p) “Pre-Authorized Debit” or “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;
- (q) “Pre-notification” means the required Written notice by the Payee or Member Payee to the Payor of the amount or change in amount to a PAD and the date(s) of such debiting, prior to the date of the actual PAD;
- (r) “Processing Member” means a Member that holds the account of a Payor;

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- (s) "Recorded" means any form of representation of information or of concepts in any medium that is accessible so that it may be used for subsequent reference and can be read or otherwise perceived by a person;
- (t) "Reimbursement Claim" means either (i) a duly completed and signed Written statement of a Payor in the form set out in Appendix III or (ii) a Written or otherwise Recorded communication from a Payor to its Processing Member by way of the Internet, e-mail, telephone or other electronic means that has been authenticated pursuant to the Processing Member's customary security measures relating to such means;
- (u) "Set Interval" means occurring at specified, set or predictable periods or times or upon the occurrence of such criteria and/or event(s) as may be set out in a Payor's PAD Agreement;
- (v) "Sponsoring Member" means a Member that holds the account of the Payee to be credited with a PAD;
- (w) "Sporadic" means occurring occasionally, irregularly, intermittently, infrequently, periodically, and not at Set Intervals; and
- (x) "Written" means any form of representing or reproducing words in visible form, and includes an electronic document, provided the electronic document is under the control of the intended recipient, the information contained in the electronic document is substantially in the same form as a paper copy, and the information contained in the document is accessible if requested.

General - Responsibility and Liability

6. Each Member shall be responsible and liable for every PAD and every Payment Item purporting to be a PAD that it Exchanges for the purpose of Clearing and Settlement, and shall indemnify the Association and its Members for any direct loss, costs or damages incurred by them as a result of a PAD or a Payment Item purporting to be a PAD that it has Exchanged for the purpose of Clearing and Settlement, except where such loss, costs or damages resulted from erroneous information provided or an error committed by a Processing Member.

Part II – Payee Letter of Undertaking

Payee Letter of Undertaking - Personal PADs and Business PADs

7. Where a Member agrees to act as a Sponsoring Member for a Payee that issues Personal PADs or Business PADs, the Member shall:
 - (a) obtain a Payee Letter of Undertaking from each Payee for whom it Exchanges Personal PADs or Business PADs for the purpose of Clearing and Settlement that includes the mandatory provisions set out in Appendix I;
 - (b) indemnify the Association and its Members for any direct loss, costs or damages incurred as a result of the fact that a Payee Letter of Undertaking deviated from the mandatory provisions set out in Appendix I or the intent or effect of this Rule; and
 - (c) require that each Payee must (i) accept and act on any notice of change of a Payor's payment routing information that a Payee receives from its Sponsoring Member that was provided to the Sponsoring Member by the Payor's Processing Member in relation to an administrative change to that information by the Processing Member pursuant to Rule F12 that does not involve the Payor changing his/her account to another Processing Member and (ii) deem such notice of change to be the Payor's authorization to change its

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relevant payment routing information, provided that the Sponsoring Member shall be responsible to the Payee for the accuracy of any such notice of change that it provides to the Payee.

Payee Letter of Undertaking - Cash Management PADs

8. Where a Member agrees to act as a Sponsoring Member for a Payee that issues Cash Management PADs, the Member shall:
 - (a) obtain a Payee Letter of Undertaking from the Payee that includes the mandatory provisions set out in Appendix I; and
 - (b) indemnify the Association and its Members for any direct loss, costs or damages incurred as a result of the fact that a Payee Letter of Undertaking deviated from the mandatory provisions set out in Appendix I or the intent or effect of this Rule.

Payee Letter of Undertaking - Exception

9. Where a Member decides to act as a Member Payee to issue Personal PADs or Business PADs or decides to act as a Sponsoring Member for a Payee to issue Funds Transfer PADs, a Payee Letter of Undertaking is not required but such Member shall obtain a Payor's PAD Agreement from the applicable Payor in accordance with sections 10 and 11.

Part III - Payor's PAD Agreement

Payor's PAD Agreement - Personal PADs and Business PADs

10. A Member acting as a Sponsoring Member for a Payee that issues Personal PADs or Business PADs shall:
 - (a) upon the Payee first entering into a Payee Letter of Undertaking and, subsequently, upon any material amendments to Rule H1, provide the Payee with full information on Rule H1 or those amendments, as may be applicable, including, in each case, the Payee's responsibilities and obligations under Rule H1;
 - (b) review the Payee's standard form(s) or process (e.g. telephone script) of Payor's PAD Agreement prior to commencement of their use by the Payee, and any amendments thereto, to ensure that the form(s) or process include(s) the mandatory provisions set out in Appendix II;
 - (c) review the Payee's procedures for verifying a Payor's identity when entering into an Electronic Agreement, to ensure that the Payee is using a Commercially Reasonable method that the Sponsoring Member consents to; and,
 - (d) indemnify the Association and its Members for any direct loss, costs or damages, incurred as a result of:
 - i. a Payee's failure to correctly verify a Payor's identity using a Commercially Reasonable method when entering into an Electronic Agreement;
 - ii. a Payor's PAD Agreement deviating from the mandatory provisions set out in Appendix II or the intent or effect of this Rule; and,
 - iii. a Payee's non-compliance with the provisions of this Rule.

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Payor's PAD Agreement - Members

11. Where a Member decides to act as a Member Payee to issue Personal PADs or Business PADs or to issue Funds Transfer PADs on behalf of a Payee, the Member shall:
 - (a) obtain a Payor's PAD Agreement that contains the mandatory elements set out in Appendix II prior to the processing of any PADs;
 - (b) assume responsibility to ensure that each Payor's PAD Agreement is duly Authorized by a (the) valid signing authority(ies) for the account; and
 - (c) indemnify the Association and its Members for any direct loss, costs or damages incurred as a result of the fact that the Payor's PAD Agreement deviated from the mandatory provisions set out in Appendix II or the intent or effect of this Rule.

Payor's PAD Agreement - Request

12. If a Processing Member makes a request on reasonable grounds for a copy of a Payor's PAD Agreement or evidence that a Payor provided Authorization for a PAD, as the case may be, such as, but not limited to, when a Payor or a customer seeks reimbursement of a PAD, the Sponsoring Member or Member Payee shall make every reasonable effort to obtain a copy of the Payor's PAD Agreement or evidence that the Payor provided Authorization for a PAD and provide it to the Processing Member within a reasonable time after receipt of the request. If a Sponsoring Member or Member Payee makes every reasonable effort to obtain a copy of any such Payor's PAD Agreement or other evidence but is unable to provide such a copy to a Processing Member within a reasonable time after receipt of the request, and the required record retention period set out in subsection 18(a) has expired, then such inability to provide a copy shall not, by itself, constitute an act of non-compliance with these Rules.

Payor's PAD Agreement - Exemption

13. Payor's PAD Agreements Authorized and in effect prior to February 28, 2010 shall be exempted from the mandatory provisions of Appendix II, subject to the provisions of this Rule applying where there is a conflict between the provisions of an existing Payor's PAD Agreement and this Rule.

Part IV – PAD Authorization

PAD Authorization – Payor's Approval Requirements Personal PAD, Business PAD and Funds Transfer PADs, General, Timing, Sporadic Frequency, Amount, Top-ups or Adjustments, Cash Management PADs

14. (a) The following Payor approval requirements apply to Personal PADs, Business PADs and Funds Transfer PADs for both Paper and Electronic Agreements:
 - (i) all PADs shall be supported by a Payor's PAD Agreement that contains the mandatory provisions set out in Appendix II;
 - (ii) the Payor's PAD Agreement shall set out the timing for the PADs which may occur at Set Intervals or may be Sporadic;
 - (iii) where the Payor's PAD Agreement provides for PADs that are Sporadic, the Payee shall obtain an Authorization from the Payor for each and every PAD prior to each PAD being Exchanged and Cleared. Such Authorization shall not be waived by the Payor;

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- (iv) the Payor's PAD Agreement shall set out whether the PADs are for a fixed or variable amount, or both, and any conditions that may apply to the amount;
 - (v) where the Payor's PAD Agreement provides for fixed or variable amount PADs recurring at Set Intervals, no Authorization shall be required for any change to the amount of the PAD whether that change in amount is due to a change in any applicable tax rate, top-up or other adjustment, provided that Pre-notification of that change in amount is given in accordance with section 15 or section 16, as may be applicable; and
- (b) the following approval requirements apply to Cash Management PADs:
- (i) each Cash Management PAD shall be supported by a Payee Letter of Undertaking that contains the mandatory provisions set out in Appendix I; and
 - (ii) where the Payee Letter of Undertaking provides for PADs that are Sporadic, the Payee shall obtain an Authorization from the Payor for each and every PAD prior to each PAD being Exchanged and Cleared.

PAD Authorization – Paper Agreements: Pre-notification, Fixed Amount, Variable Amount, Exception - Direct Action by Payor, Waiver of Pre-notification

15. In addition to the requirements set out in section 14, the following Pre-notification requirements apply to all Business PADs or Personal PADs recurring at Set Intervals, as set out in Paper Agreements:
- (a) where a Payor's PAD Agreement provides for fixed amount PADs recurring at Set Intervals, the Payee or Member Payee shall provide to the Payor the following:
 - (i) at least 10 calendar days before the due date of the first PAD, Written notice of the amount to be debited and the date(s) of such debiting; and
 - (ii) at least 10 calendar days before each and any change in the amount of a PAD pursuant to section 14(a)(v) or any change to the payment date(s) of a PAD, Written notice of the change in amount or the change to such date(s);
 - (b) where the Payor's PAD Agreement provides for variable amount PADs recurring at Set Intervals, the Payee or Member Payee shall, provide to the Payor at least 10 calendar days before the due date of every such PAD a duly completed Written notice that such PAD is to be debited and the date(s) of such debiting;
 - (c) notwithstanding the provisions of sections 15(a) or (b), no Pre-notification shall be required for any PAD where the amount of the PAD will decrease as a result of a reduction in municipal, provincial or federal tax;
 - (d) notwithstanding the provisions of sections 15(a) or (b), no Written notice shall be required for changes in the amount of fixed or variable amount PADs recurring at Set Intervals if the applicable Payor's PAD Agreement specifically provides for the change in amount to occur as a result of a direct action on the part of the Payor (such as, but not limited to, a telephone instruction or other remote means) requesting the Payee to change the amount of a PAD; and,
 - (e) notwithstanding the foregoing provisions of this section 15, the Payor and Payee or Member Payee, where applicable, may mutually agree to specifically reduce or waive the Pre-notification requirements of sections 15(a) and (b) either in the Payor's PAD Agreement or by a separate waiver provided proper Authorization for the waiver is

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provided. If a reduction or waiver clause is inserted into a Payor's PAD Agreement, such reduction or waiver clause shall be displayed prominently (e.g. in bold print, highlighted or underlined).

PAD Authorization – Electronic Agreements: Verification, Confirmation, Fixed Amount, Variable Amount, Exception - Direct Action by Payor, Reduction of Notice Period

16. In addition to the requirements set out in section 14, the following requirements apply to all Business PADs or Personal PADs as set out in Electronic Agreements:
- (a) prior to taking the steps set out in the remainder of this section 16, upon the Authorization of a Payor's PAD Agreement by a Payor, the Payee shall verify that the personal and/or banking information set out in that Payor's PAD Agreement actually belongs to that Payor using a Commercially Reasonable method of verification;
 - (b) where a Payor's PAD Agreement provides for fixed amount PADs, the Payee or Member Payee shall provide to the Payor the following:
 - (i) at least 15 calendar days before the due date of the first PAD, Written Confirmation of the Payor's PAD Agreement containing the mandatory elements set out in Appendix IV; and
 - (ii) for PADs recurring at Set Intervals, at least 10 calendar days before each and any change in the amount of a PAD pursuant to section 14(a)(v) or any change to the payment date(s) of a PAD, Written notice of the change in amount or the change to such date(s);
 - (c) where the Payor's PAD Agreement provides for variable amount PADs, the Payee or Member Payee shall provide to the Payor the following:
 - (i) at least 15 calendar days before the due date of the first PAD, Written Confirmation of the Payor's PAD Agreement containing the mandatory elements set out in Appendix IV; and
 - (ii) for PADs recurring at Set Intervals, at least 10 calendar days before the due date of every subsequent PAD, a duly completed Written notice that such PAD is to be debited;
 - (d) notwithstanding the provisions of sections 16(b)(ii) or (c)(ii), no Pre-notification shall be required for any PAD where the amount of the PAD will decrease as a result of a reduction in municipal, provincial or federal tax;
 - (e) notwithstanding the provisions of sections 16(b)(ii) or (c)(ii), no Written notice shall be required for changes in the amount of fixed or variable amount PADs recurring at Set Intervals if the applicable Payor's PAD Agreement specifically provides for the change in amount to occur as a result of a direct action on the part of the Payor, (such as, but not limited to, a telephone instruction or other remote means) requesting the Payee to change the amount of a PAD;
 - (f) if mutually agreed upon by a Payor and Payee, the 15 calendar day Confirmation period in section 16(b)(i) and (c)(i) may be reduced to a minimum of three (3) calendar days if the Payee verifies the identity of the Payor by a Commercially Reasonable method of verification that uses information known only to the Payor and the Payee but not generally known to any other person;

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- (g) notwithstanding the foregoing provisions of this section 16, the Payor and Payee or Member Payee, where applicable, may mutually agree to specifically reduce or waive the Pre-notification requirements of sections 16(b)(ii) and (c)(ii) either in the Payor's PAD Agreement or by separate waiver provided proper Authorization for the waiver is provided. If a reduction or waiver clause is inserted into a PAD Agreement, such reduction or waiver shall be displayed prominently (e.g. in bold print, highlighted or underlined). If a Payor's PAD Agreement is not Written, such waiver or reduction shall be expressly communicated to the Payor by the Payee or Member Payee.

Part V - PAD Processing

PAD Processing - Coding, AFT PADs, Paper PADs

17. PADs shall be Exchanged and processed as follows:

- (a) In accordance with the "F" Rules and Standard 005, PADs effected through the Automated Funds Transfer (AFT) system shall be identified in the "transaction type" field as follows:
- (i) Business PADs, transaction type "700" to "749";
 - (ii) Cash Management PADs, transaction type "420" or "717";
 - (iii) Funds Transfer PADs where no recourse provided other than pursuant to section 23, transaction type "650"; and
 - (iv) all other PADs including, without limitation, any commingled PADs (i.e. a PAD of which any portion includes a Personal PAD or Funds Transfer PAD as well as a Business PAD or Cash Management PAD), transaction types "260" to "272", "323" or "330" to "449" inclusive.
- (b) In accordance with the "A" Rules and Standard 006, PADs issued on paper shall be identified with the words "PAD" on the face of the item and identified in the "Transaction Code" section of the MICR line as follows:
- (i) Business PADs, code "33";
 - (ii) Cash Management PADs, code "44";
 - (iii) Funds Transfer PADs where no recourse provided other than pursuant to section 23, code "83"; and
 - (iv) all other paper PADs do not require a code.

Note: As of September 2, 2008, to be eligible for clearing, paper PADs must be created and entered into the clearing system directly by a CPA member, either on its own behalf or on behalf of a Payee.

PAD Processing – Audit Trail

18. The following audit and record retention requirements apply to all PADs:

- (a) the Payee shall ensure that an audit trail, including the Payor's PAD Agreement and evidence of Authorization, where applicable, and all information needed to retrieve or trace a PAD is maintained for a minimum of 12 months following the last PAD processed in accordance with that Payor's PAD Agreement;

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- (b) the above noted audit and record retention requirements are for the purpose of this Rule and do not preclude Members, Member Payees or Payees from complying with any other statutory or legal requirements they may be subject to for audit or record retention purposes.

Part VI - Dishonoured PADs

Dishonoured PADs - Time Limitation, Rule A4, Designation of Branch, Incorrect Account Information, Representation, Branch of Return Other than Branch of Deposit

19. The following procedures apply to dishonoured PADs:
- (a) subject to the recourse provisions under section 20, where a PAD is dishonoured for any reason such as, but not limited to, "NSF", "stop payment" or "account closed", it shall be returned in accordance with the time limitation set out in Rule A4 and the procedures set out in Rule F5;
 - (b) subject to section 19(d), a dishonoured PAD shall be returned to the Branch of the Sponsoring Member or Member Payee, as the case may be, that originally Exchanged the PAD for the purpose of Clearing and Settlement provided; however, subject to section 4 of Rule F5, where the account information of the Payee is incorrect, the PAD shall be returned to the Branch which originated the PAD within the time specified in Rule A4;
 - (c) a PAD that has been dishonoured may only be re-presented in accordance with the applicable provisions of Rules A4 and F5. In addition, a PAD shall only be re-presented for the same amount as the original PAD (i.e. shall not include additional charges);
 - (d) notwithstanding the foregoing provisions of this section 19, where the Sponsoring Member or Member Payee, as the case may be, has an agreement with another Member by which that other Member has been designated to receive dishonoured paper PADs, the Sponsoring Member or Member Payee, as the case may be, may designate that any dishonoured paper PAD is to be returned to a Branch other than the Branch of deposit, specifically, to a different Branch of the Sponsoring Member or Member Payee, as the case may be, or to a Branch of that other Member.

Part VII - Reimbursement and Recourse

Reimbursement and Recourse – Personal PADs, Business PADs and Funds Transfer PADs, Time Limit, Declared Conditions, Reimbursement Claim, Interest Claims, Recourse, Claim after Time Limit

20. Subject to a Member opting out of recourse as set out in section 21, the following procedures apply where a Payor makes a claim for reimbursement in connection with a Personal PAD, Business PAD or Funds Transfer PAD other than a Funds Transfer PAD coded "650" or "83":
- (a) where a Payor makes a claim under one of the declared conditions set out in section 20(b),
 - (i) for a Personal PAD or Funds Transfer PAD regardless of whether that Personal PAD or Funds Transfer PAD has been incorrectly coded as a Business PAD pursuant to this Rule, up to and including 90 calendar days after the date on which the disputed Personal PAD or Funds Transfer PAD was debited from the Payor's account; or

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- (ii) for a Business PAD, up to and including 10 Business Days after the date on which the disputed Business PAD was debited from the Payor's account, the Processing Member shall on a best efforts basis, immediately reimburse the Payor for the amount of the claim;
- (b) the Processing Member shall accept a claim for reimbursement from a Payor whose account has been debited with a PAD under the following declared conditions:
 - (i) the PAD was not drawn in accordance with the Payor's PAD Agreement; or
 - (ii) the Payor's PAD Agreement was revoked; or
 - (iii) notice or Confirmation was not given in accordance with section 15, 16, 25 or 26 as may be applicable;
- (c) the Processing Member shall:
 - (i) with respect to a Personal PAD or a Funds Transfer PAD only, obtain from the Payor making the claim a duly completed and, as may be applicable, either signed or otherwise Authorized Written or otherwise Recorded Reimbursement Claim;
 - (ii) with respect to a Business PAD only, obtain from the Payor making the claim a duly completed and signed Written Reimbursement Claim; and
 - (iii) retain the duly completed Reimbursement Claim in accordance with Rule F5;
- (d) any interest claim associated with a PAD being returned under this section 20 shall be resolved outside the Rules;
- (e) a Sponsoring Member or Member Payee, as the case may be, shall honour and provide recourse for the amount of any PAD returned by a Processing Member in accordance with this section and reimbursed by the Processing Member to a Payor;
- (f) every PAD being returned under this section shall be returned in accordance with Rule F5; and
- (g) if a Payor makes a claim under this section 20 more than 90 calendar days for a Personal PAD or 10 Business Days for a Business PAD following the date on which a PAD was processed to the Payor's account, the claim shall be addressed by the Payor and the Payee outside of the Rules and such PAD shall not be returned pursuant to the Rules.

Reimbursement and Recourse – Recourse Exception: Funds Transfer PADs, No Reimbursement

- 21. (a) Except pursuant to section 23, a Member that issues Funds Transfer PADs on behalf of a Payee is not required to offer recourse as set out in section 20(e) to a Processing Member for those PADs. Where a Member elects not to offer recourse for funds transfer PADs, the Member shall code those PADs "650" or "83" and any dispute concerning a Funds Transfer PAD coded "650" or "83" other than a dispute referenced in section 23 shall be addressed by the parties outside the Rules and such PAD shall not be returned pursuant to the Rules; and

Pre-Authorized Debits (PADs) Rule H1

- (b) where a Payor does not receive reimbursement from a Processing Member for a disputed Funds Transfer PAD other than a dispute referenced in section 23, the Processing Member shall provide the Payor with a duly completed statement containing the mandatory provisions set out in Appendix V that can be presented to the Sponsoring Member who issued the PAD.

Reimbursement and Recourse – Recourse Exception: Cash Management PADs

- 22. Any dispute by a Payor concerning a Cash Management PAD (i.e. code “420”, “717” or “44”) other than pursuant to section 23 shall be addressed by the Payor or customer and Payee outside the Rules and such PAD shall not be returned pursuant to the Rules.

Reimbursement and Recourse – Absence of Contract, Reimbursement, Time Limit, Claim After Time Limit, Interest Claims, Application of Sections

- 23. Notwithstanding sections 19, 20, 21 or 22 the following procedures apply where a claim is made by a Payor or other customer of a Processing Member on the basis that no Payor’s PAD Agreement, Payee Letter of Undertaking or other agreement for a Cash Management PAD existed between the Payor or customer and the person purporting to be the Payee in respect of a PAD or other debit erroneously processed to that Payor’s or customer’s account:
 - (a) subject to section 23(b), the Processing Member holding the account of the Payor or customer making a claim shall expeditiously reimburse that Payor or customer for the amount of the claim and return the relevant PAD or debit;
 - (b) any claim made under section 23(a) shall be made no later than 90 calendar days after the posting date of the improperly processed PAD or debit as shown on the account statement provided to the Payor or customer making the claim by the Processing Member holding its account;
 - (c) after the time limitation provided under section 23(b) has expired, any claim disputing the existence of a contract (e.g. no Payor’s PAD Agreement or Payee Letter of Undertaking) shall be addressed by the parties outside the Rules;
 - (d) any claim for interest shall be settled in accordance with Rule J10 and limited to interest lost by and reimbursed to the Payor or customer by the Processing Member for a returned PAD on the basis of this section, and any claim for interest shall be processed separately from the returned PAD but include full particulars of the PAD; and
 - (e) sections 20(c) and (e) apply, with such modifications as the circumstances require (such as substituting “customer” for “Payor” where appropriate), to this section as if the claim was being made under a declared condition set out in section 20(b).

Reimbursement and Recourse – Payee or Member Payee Dispute

- 24. Where a Payee or Member Payee disputes the validity of a Payor’s claim made under sections 20 or 23 as set out in a duly completed Reimbursement Claim, the dispute shall be addressed by the Payor or customer and Payee outside of the Rules.

Pre-Authorized Debits (PADs) Rule H1

Part VII – Fundamental Changes

Fundamental Changes – Assignment of Payor's PAD Agreements and/or Payee Letters of Undertaking – Changes to Payee Name

25. No Payee Letter of Undertaking or Payor's PAD Agreement may be assigned by a Payee whether directly or indirectly, by operation of law, change of control or otherwise to any person, except:
- (a) with respect to the assignment of a Payee Letter of Undertaking, if the Payee's Sponsoring Member has provided its prior Written consent to such assignment; and
 - (b) with respect to the assignment of a Paper Agreement:
 - i. if the Payee has prominently displayed (e.g. in bold print, highlighted or underlined) an assignment clause in the Payor's PAD Agreement and the Payee has provided to the Payor Written notice of the full details of such assignment, including the identity and contact information of the assignee; or
 - ii. the Payee has provided to the Payor, prior Written notice of the full details of such assignment, including the identity and contact information of the assignee, a minimum of ten (10) days in advance of any PAD being issued in the assignee's name; or,
 - (c) with respect to the assignment of an Electronic Agreement:
 - i. if the Confirmation contains, in addition to the clauses on the mandatory form set out in Appendix IV, an assignment clause that is prominently displayed (e.g. in bold print, highlighted or underlined) and the Payee has provided to the Payor Written notice of the full details of such assignment, including the identity and contact information of the assignee; or,
 - ii. the Payee has provided to the Payor, prior Written notice of the full details of such assignment, including the identity and contact information of the assignee, a minimum of ten (10) days in advance of the next PAD being issued in the assignee's name.

Changes to Payee Name

26. With respect to a Payor's PAD Agreement, the Payee shall provide a minimum of ten (10) days Written notice to the Payor in advance of the next PAD, where the Payee's name has changed.

Fundamental Changes – Notice of Cancellation / Revocation

27. Subject to the expiry of any reasonable cancellation notice period not to exceed 30 days that has been clearly set out in any agreement between a Payor and a Payee (including in a Payor's PAD Agreement), upon receipt by a Payee either Written, or orally with proper Authorization to identify the Payor, clearly instructing the Payee to cease issuing PADs or otherwise revoking a Payor's PAD Agreement or an Authorization to issue PADs, the Payee shall use best efforts to cancel the PAD in the next business, billing or processing cycle but shall within not more than 30 days from the notice, cease to issue any new PADs against that Payor and not issue any further PADs against that Payor unless and until that Payor provides the Payee with a new Payor's PAD Agreement. For the purposes of this section 27, in order to cancel any PAD or revoke its Authorization to issue any PAD, a Payor may but shall not be required to use a cancellation notice in the form set out in Appendix VI.

Pre-Authorized Debits (PADs) Rule H1

Part VIII – Coming Into Force

Implementation / Coming into Force

28. This revised Rule H1 was approved by the CPA Board of Directors on February 21, 2008 and comes into effect on June 20, 2008, subject to a transition period whereby Members have until February 28, 2010 to comply with the revised Rule and to ensure that their customer Payees make the necessary changes to comply with the revised Rule.

Pre-Authorized Debits (PADs) Rule H1 Payee Letter of Undertaking – Mandatory Elements

Introduction

This Appendix I sets out the mandatory elements which must be included in every Payee Letter of Undertaking for the purposes of Rule H1 but does not preclude a Member from including other provisions, using a different format or incorporating these provisions within another contract or document provided that the mandatory elements are also included. For clarity, the mandatory elements set out in this Appendix I are in addition to and do not replace any provisions of any other agreement between a Payee and its Sponsoring Member, do not limit a Payee's obligations under Rule H1 and do not apply to a Member Payee who issues Personal PADs or Business PADs. Capitalized terms used in this Appendix I have the meanings ascribed to those terms in Rule H1. Suggested language provided in this Appendix I is for illustration purposes only.

Each and every Payee Letter of Undertaking is subject to any and all applicable laws including, without limitation, any and all applicable laws relating to consumer protection.

Legal, Binding and Enforceable Agreement

1. Assuming that it has been signed by each of its parties, each Payee Letter of Undertaking shall contain sufficient language to be a legal and binding agreement of the Payee, enforceable against the Payee by each of its other parties in accordance with its provisions.

Payor Approval

2. In each Payee Letter of Undertaking, the Payee shall (a) warrant and guarantee to its Sponsoring Member that each of its Payors has given it a continuing but revocable authority to initiate PADs which constitutes the sufficient authority for the Processing Member to debit that Payor's chosen account for the amount of each PAD that is initiated by the Payee and (b) undertake to provide evidence of such authority (i.e. the Payor's PAD Agreement or business agreement for Cash Management PADs) on request to the Sponsoring Member, the Payor or an authorized representative of the Payor (including the Payor's Processing Member) within a reasonable time following request. For this purpose, suggested language is as follows:

"We warrant and guarantee to you that each Payor (i.e. customer) on whose behalf any debit purports to have been drawn or direction purports to have been given shall have signed or otherwise duly Authorized and delivered to us an authority instructing us to issue debits and, where applicable, shall have given us a direction pursuant to such an authority to issue a debit as though it were signed or otherwise duly Authorized by such Payor instructing such direction to be acted upon as though it were a Written instruction signed by such Payor.

We undertake to provide evidence of the authority of a Payor for whom we have issued or caused to be issued any PAD within a reasonable time, upon the request of the Payor, an authorized representative of the Payor (including the Payor's Processing Member) or you."

Valid Signing Authority

3. In each Payee Letter of Undertaking, the Payee shall ensure that each Payor's PAD Agreement or Payor's Authorization for Cash Management PADs is signed or otherwise duly Authorized by the Payor in a form that constitutes proper authority for the Payor's Processing Member to debit the Payor's designated account as may be set out in the Payor's account agreement with its Processing Member.

**Pre-Authorized Debits (PADs) Rule H1
Payee Letter of Undertaking – Mandatory Elements**

Payor Acknowledgement Required for Cash Management PADs

4. For Cash Management PADs only:
- a) where the Payor and the Payee are the same person, each Payee Letter of Undertaking shall include the Payor's continuing but revocable Authorization to debit its designated account with such Cash Management PADs in a form that constitutes proper authority for the Payor's Processing Member to debit the Payor's designated account as may be set out in the Payor's account agreement with its Processing Member;
 - b) where the Payee and Payor are not one and the same entity, but are closely-affiliated Businesses, in addition to the other requirements of this Appendix I, the Payor shall sign or otherwise duly Authorize the Payee Letter of Undertaking related to that Cash Management PAD in a form that constitutes proper authority for the Payor's Processing Member to debit the Payor's designated account as may be set out in the Payor's account agreement with its Processing Member prior to any Cash Management PADs being issued against the Payor's account; and
 - c) each Payee Letter of Undertaking for a Cash Management PAD shall incorporate any applicable provision from Appendix II to Rule H1, making such changes as may be necessary and appropriate in the circumstances.

Sporadic PADs

5. Where a Payee intends to issue Sporadic PADs against a Payor, the Payee shall agree and undertake in its Payee Letter of Undertaking to obtain due Authorization from the Payor in accordance with Rule H1 for each and every Sporadic PAD that it issues.

General Indemnity

6. In each Payee Letter of Undertaking, the Payee shall indemnify and agree to hold harmless its Sponsoring Member and each applicable Processing Member from and against any and all losses, costs, fees, damages, expenses, liabilities, claims, suits and demands whatsoever that its Sponsoring Member or any such Processing Member may suffer, incur or be under or that might be made or brought against it in respect of the drawing or issuing of any PAD, except where such loss, costs, fees, damages, expenses, liabilities, claims, suits or demands resulted from erroneous information provided or an error committed by its Sponsoring Member or any Processing Member. For this purpose, suggested language is as follows:

"We undertake and agree to indemnify and hold harmless you and any applicable Processing Member from and against any and all losses, costs, fees, damages, expenses, liabilities, claims, suits and demands whatsoever that you or any applicable Processing Member may suffer, incur or be under or that may be made or brought against you or any such Processing Member by reason of or in any way arising out of the action in drawing and issuing any debit issued by us, except where such loss, costs fees, damages, expenses, liabilities, claims, suits or demands result from erroneous information provided or an error committed by you or any Processing Member".

Liability for Accuracy

7. In each Payee Letter of Undertaking, the Payee shall assume liability for the accuracy of all PADs drawn according to its instructions. For this purpose, suggested language is as follows:

"We shall be solely responsible for the accuracy and completeness of all information furnished to you and you shall not be responsible in any way for errors resulting from the inaccuracy or incompleteness of any information furnished to you by us or any other

**Pre-Authorized Debits (PADs) Rule H1
Payee Letter of Undertaking – Mandatory Elements**

officer, employee or agent of ours.

We undertake and agree to indemnify you for all amounts that may be erroneously paid by you and/or any Processing Member in respect of any PAD erroneously credited or debited by you and/or any Processing Member pursuant to any such direction from us whatsoever".

Force Majeure

8. In each Payee Letter of Undertaking, the Payee shall waive any and all liability of its Sponsoring Member that is due to delays or non-performance and arises as a result of circumstances beyond the control of the Sponsoring Member. For this purpose, suggested language is as follows:

"You shall not be liable to us and/or to any other person who may claim through us for any delay, damage, penalty, cost, expense or inconvenience to us or any other such person resulting from failure on your part to perform any of the services herein contemplated by reason of any cause beyond your control."

Change of Sponsoring Member / Termination

9. Each Payee Letter of Undertaking shall provide for the situation where a Payee changes Sponsoring Member or ceases to use the PAD facility between the time a PAD is issued and the time of a claim or return of that PAD for non-payment. For this purpose, suggested language is as follows:

"We undertake and agree to reimburse you and/or any Processing Member for payment of any claim made by a Payor in accordance with the CPA Rules Manual.

This undertaking may be terminated by us or you provided that Written notice of such termination is given by the terminating party to the other party not less than (number) days prior to the day upon which such termination is to take effect.

Notwithstanding any such termination, the provisions of Rule H1 and the indemnification provisions of this Payee Letter of Undertaking shall continue to remain in full force and effect with respect to any PAD drawn and issued or any other obligation of a Sponsoring Member in accordance with the provisions of this Payee Letter of Undertaking prior to the day upon which such termination takes effect."

Interest Claim

10. In each Payee Letter of Undertaking, the Payee shall accept liability for any interest claim associated with the return of a PAD for the reason that no Payor's PAD Agreement existed between that Payee and the Payor with respect to the returned PAD.

Assignment, Payee Name Changes, Etc.

11. Each Payee Letter of Undertaking shall state that it may not be assigned by the Payee, whether directly or indirectly, by operation of law, change of control or otherwise, without the prior Written consent of the Payee's Sponsoring Member.

**Pre-Authorized Debits (PADs) Rule H1
Payee Letter of Undertaking – Mandatory Elements**

12. Each Payee Letter of Undertaking shall state that no Payor's PAD Agreement entered into by the Payee may be assigned by the Payee whether directly or indirectly, by operation of law, change of control or otherwise except:
- (a) with respect to the assignment of a Paper Agreement:
 - i. if the Payee has prominently displayed (e.g. in bold print, highlighted or underlined) an assignment clause in the Payor's PAD Agreement and the Payee has provided to the Payor Written notice of the full details of such assignment, including the identity and contact information of the assignee; or,
 - ii. the Payee has provided to the Payor, prior Written notice of the full details of such assignment, including the identity and contact information of the assignee, a minimum of ten (10) days in advance of any PAD being issued in the assignee's name; or,
 - (b) with respect to the assignment of an Electronic Agreement:
 - i. if the Confirmation contains, in addition to the clauses on the mandatory form set out in Appendix IV, an assignment clause that is prominently displayed (e.g. in bold print, highlighted or underlined) and the Payee has provided to the Payor Written notice of the full details of such assignment, including the identity and contact information of the assignee; or,
 - ii. the Payee has provided to the Payor, prior Written notice of the full details of such assignment, including the identity and contact information of the assignee, a minimum of ten (10) days in advance of the next PAD being issued in the assignee's name;
13. Each Payee Letter of Undertaking shall state that the Payee will provide a minimum of ten (10) days Written notice to the Payor in advance of the next PAD, where the Payee's name has changed.

Time Limitation for Reimbursement

14. Each Payee Letter of Undertaking shall set out the applicable time limitation for reimbursement claims. For this purpose, suggested language is as follows:

"We agree to reimburse you for any claim paid by you as a result of a Reimbursement Claim filed by a Payor or other person alleging that a PAD was not drawn in accordance with its Payor's PAD Agreement, a Payor's PAD Agreement was revoked, any required Pre-notification was not given at least 10 calendar days before the date a related PAD was processed to the account of a Payor, Confirmation was not provided in accordance with section 16 of Rule H1 or no Payor's PAD Agreement existed between the person making the claim and ourselves with respect to a particular PAD".

CPA Rules / Confirmation/Pre-notification

15. In each Payee Letter of Undertaking, the Payee shall agree to adhere to the provisions of the Canadian Payments Act and all related By-laws, Rules and Standards as they apply to PADs including, without limitation, the Confirmation/Pre-notification requirements or waiver of Pre-notification requirements and cancellation requirements set out in Rule H1. For this purpose, suggested language is as follows:

"We agree to be bound by, comply with, respect and apply all relevant provisions of the Canadian Payments Act and all related by-laws, rules and standards in force from time to time as they apply

**Pre-Authorized Debits (PADs) Rule H1
Payee Letter of Undertaking – Mandatory Elements**

to PADs including, without limitation, the Confirmation/Pre-notification requirements or waiver of Pre-notification requirements and cancellation requirements as set out in Rule H1".

Cancellation

16. Without limiting the generality of section 15, in each Payee Letter of Undertaking the Payee shall agree that, subject to the expiry of any reasonable cancellation notice period, not to exceed 30 days, that has been clearly set out in any agreement between the Payor and a Payee (including in a Payor's PAD Agreement), upon receipt by the Payee of any Written or otherwise oral communication from a Payor clearly instructing the Payee to cease issuing PADs or otherwise revoking a Payor's PAD Agreement or an Authorization to issue PADs, the Payee shall use best efforts to cancel the PAD in the next business, billing or processing cycle but shall within not more than 30 days from the notice cease to issue any new PADs against that Payor and not issue any further PADs against that Payor unless and until that Payor provides the Payee with a new Payor's PAD Agreement.

Notices of Change

17. In each Payee Letter of Undertaking, the Payee shall undertake and agree to (a) accept and act on any notice of change of a Payor's payment routing information that it receives from its Sponsoring Member that was provided to the Sponsoring Member by the Payor's Processing Member in relation to an administrative change to that information by the Processing Member pursuant to Rule F12 and (b) deem such notice of change to be that Payor's authorization to change its relevant payment routing information, provided that the Payee's Sponsoring Member shall be responsible to the Payee only for the accuracy of information provided in any such notice of change that it provides to the Payee.

Re-presentation

18. Each Payee Letter of Undertaking shall provide that upon the return of a PAD for reason of "Non-Sufficient Funds" or "Funds Not Cleared", the Payee may re-present the PAD electronically on a one-time only basis for the same amount as the original debit and such item may only be re-presented within 30 days, The Payee Letter of Undertaking shall specifically state that a re-presentation shall not contain interest, NSF charges or any other charges in addition to the original PAD amount.

Other Obligations

19. In each Payee Letter of Undertaking, the Payee shall (a) undertake to make the terms and conditions of the Payor's PAD Agreement available to the Payor and (b) where possible, provide a copy of the Payor's PAD Agreement signed by the Payor to the Payor. For this purpose, suggested language is as follows:

"We agree that we will, make the terms and conditions of the Payor's PAD Agreement available to the Payor. Where possible, we will provide each Payor with a copy of the authorization signed by that Payor".

**Pre-Authorized Debits (PADs) Rule H1
Payor's PAD Agreement – Mandatory and Supplementary Elements**

Introduction

This Appendix II sets out the mandatory elements which *must* be included in every Payor's PAD Agreement for the purposes of Rule H1 and certain supplemental elements which *may* be included in a Payor's PAD Agreement for the purposes of Rule H1. The Payee is not precluded from including other provisions, using a different format or incorporating the provisions within a contract for goods or services provided or another document provided that the mandatory elements are also included. For clarity, the mandatory elements set out in this Appendix II are in addition to and do not replace any provisions of any other agreement between a Payor and a Payee and do not limit a Payee's obligations under Rule H1. Capitalized terms used in this Appendix II have the meanings ascribed to those terms in Rule H1.

Each and every Payor's PAD Agreement is subject to any and all applicable laws including, without limitation, any and all applicable laws relating to consumer protection.

Mandatory Elements:

Mandatory Element	Description of Mandatory Element
Date and Signature	A date field wherein the execution date of the Payor's PAD Agreement can be recorded. For Paper Agreements, a signature field wherein the Payor can sign the agreement.
Authority to Debit Account	A statement by the Payor that must be duly Authorized in accordance with its account agreement with its Processing Member, clearly and unambiguously authorizing the Payee to debit an account specified by the Payor.
PAD Category	A statement that is either pre-printed on the Payor's PAD Agreement or clearly indicated by the Payor as to whether the PADs are Personal PADs (e.g. for mortgage payments, utility payments, charity donations, etc.), Business PADs (e.g. for supplies, lease payments, etc.) or Funds Transfer PADs (e.g. for registered retirement savings plan payments, mutual funds payments, etc.).
Amount, Timing or Specified Event/Action	A statement that is either pre-printed on the Payor's PAD Agreement or clearly indicated by the Payor as to the amount (i.e. whether fixed or variable) and timing (i.e. weekly, bi-weekly, semi-monthly, monthly, bi-monthly, annual, on set dates or otherwise) of the PAD <i>or</i> whether each PAD is to be triggered by a specified act, event or other criteria <i>or</i> whether each PAD is to be Sporadic and, if each PAD is to be triggered by a specified act, event or other criteria, then an unambiguous description of that act, event or other criteria.
Cancellation of Agreement	A Payor's PAD Agreement shall include cancellation information to the effect that the Payor may revoke their Authorization at any time, subject to providing notice (Payee shall set out the notice period which shall not exceed 30 days). A Payor's PAD Agreement shall also advise that the Payor may obtain a sample cancellation form, or further information on their right to cancel a PAD Agreement, at their financial institution or by visiting www.cdnpay.ca .
Contact Information	A Payor's PAD Agreement shall include reasonable and accurate contact information of the Payee so that a Payor may contact the Payee by any method of communication used by the Payee (e.g. postal address, fax number, telephone number, email address) to make inquiries, obtain information or seek recourse with respect to any PAD issued by the Payee.
Recourse/ Reimbursement Statement	Except for Fund Transfer PADs coded "650" or "83", each Payor's PAD Agreement must contain the following statement in its entirety: "You [or I/We, depending on the context] have certain recourse rights if any debit does not comply with this agreement. For example, you [I/we] have the right to receive reimbursement for any debit that is not authorized or is not consistent with this PAD Agreement. To obtain more information on your [my/our] recourse rights, [I/we may] contact your [my/our] financial institution or visit www.cdnpay.ca ."

**Pre-Authorized Debits (PADs) Rule H1
Payor's PAD Agreement – Mandatory and Supplementary Elements**

Supplementary Elements (not limited to the following):

Supplemental Element	Description of Supplemental Element
Pre-notification	A Payor's PAD Agreement that provides for Personal PADs or Business PADs to be issued at Set Intervals may state that the Payor is entitled to receive Pre-notification in the manner and at the time(s) set out in Rule H1.
Waiver/Modification of Pre-notification/ Confirmation periods	A Payor's PAD Agreement that provides for Personal PADs or Business PADs to be issued at Set Intervals may permit the Payor and Payee to mutually waive Pre-notification or modify the Pre-notification/Confirmation requirements of Rule H1 provided the Payor specifically indicates its acceptance of the waiver or modification in the Payor's PAD Agreement or otherwise by way of a separate Authorization. Any such clause to reduce or waive the standard pre-notification periods must be prominently displayed (e.g. bold, highlighted or underlined).
Sporadic PADs	A Payor's PAD Agreement that authorizes Sporadic PADs must specify that the Payee is required to obtain due Authorization from the Payor in accordance with Rule H1 for each Sporadic PAD that the Payee issues against the Payor.
Validation by Processing Member	A Payor's PAD Agreement may state that the Processing Member is not responsible for validating the terms of the Payor's PAD Agreement in respect of a PAD issued under that agreement
Contract for Goods and Services	A Payor's PAD Agreement may state that it only applies to the method of payment between the Payor and the Payee and that the agreement and any termination of the agreement does not have any effect whatsoever with respect to any contract for goods or services between the Payor and Payee.
Payor's Rights of Dispute: Personal PADs, Business PADs and Funds Transfer PADs	A Payor's PAD Agreement that provides for Personal PADs, Business PADs or Funds Transfer PADs for which Rule H1 provides the Payor with the right to make a claim for reimbursement under one of the declared conditions set out in subsection 20(b) of Rule H1 subject to completing a Reimbursement Claim, may include language relating to how a claim for reimbursement may be made.
Funds Transfer PADs Coded "650" or "83"	Where a Funds Transfer PAD is coded "650" or "83", the CPA Member initiating the Funds Transfer must advise that the Payor will not have recourse within the CPA Rules.
Change of Account Information	A Payor's PAD Agreement may require that the Payor must give Written notice to the Payee of any change with respect to the account against which it has designated PADs to be drawn.
Notice of use of a Payment Service Provider	Where a Payee intends to use a payment service provider to administer a PAD, the Payor's PAD Agreement shall include a statement that a third party will be administering the PAD and further set out the name of the third party administrator. Where a Payor's PAD Agreement is entered into by way of Electronic Agreement, the Confirmation shall include a statement that a third party will be administering the PAD and further set out the name of the third party administrator.

Pre-Authorized Debits (PADs) Rule H1
Payor's PAD Agreement – Mandatory and Supplementary Elements

SAMPLE A

Pre-authorized Debit (PAD) Agreement

ABC Charity

Date: _____

I want to support [ABC Charity or insert description of the activity] through monthly donations.

Please debit my bank account: (attach VOID cheque)

___ \$25 ___ \$50 ___ \$75 Other Amount _____ (specify)

The debit will be processed to your account on the 18th day of each month or the next business day.

Signature: _____

Donor Name: _____

Address/Contact Information: _____

This donation is made on behalf of: _____ an Individual _____ a Business

I may revoke my authorization at any time, subject to providing notice of (Payee to insert period - not to exceed 30 days). To obtain a sample cancellation form, or for more information on my right to cancel a PAD Agreement, I may contact my financial institution or visit www.cdnpay.ca.

ABC Charity
1234 Main Street
City, Province, Postal Code
Tel: 1-800-999-9999
E-mail: departmentname@abccharity.org

I have certain recourse rights if any debit does not comply with this agreement. For example, I have the right to receive reimbursement for any debit that is not authorized or is not consistent with this PAD Agreement. To obtain more information on my recourse rights, I may contact my financial institution or visit www.cdnpay.ca.

LEGEND

1	Date and Signature	5	Cancellation of Agreement
2	Authorization to Debit Specific Account	6	Contact Information
3	PAD Category (personal, business, funds transfer)	7	Recourse Statement
4	Amount/Timing		

**Pre-Authorized Debits (PADs) Rule H1
Payor's PAD Agreement – Mandatory and Supplementary Elements**

SAMPLE B

ABC Utilities Inc.

Please complete the Pre-Authorized Debit (PAD) Plan agreement below.

I/we authorize ABC Utilities Inc., and the financial institution designated (or any other financial institution I/We may authorize at any time) to begin deductions as per my/our instructions for monthly regular recurring payments and/or one-time payments from time to time, for payment of all charges arising under my/our ABC Utilities account(s). Regular monthly payments for the full amount of services delivered will be debited to my/our specified account on the 5th day of each month. ABC Utilities will provide 10 days written notice of the amount of each regular debit. ABC Utilities will obtain my/our authorization for any other one-time or sporadic debits.

This authority is to remain in effect until ABC Utilities Inc. has received written notification from me/us of its change or termination. This notification must be received at least ten (10) business days before the next debit is scheduled at the address provided below. I/We may obtain a sample cancellation form, or more information on my/our right to cancel a PAD Agreement at my/our financial institution or by visiting www.cdnpay.ca.

ABC Utilities may not assign this authorization, whether directly or indirectly, by operation of law, change of control or otherwise, without providing at least 10 days prior written notice to me/us.

I/we have certain recourse rights if any debit does not comply with this agreement. For example, I/we have the right to receive reimbursement for any PAD that is not authorized or is not consistent with this PAD Agreement. To obtain a form for a Reimbursement Claim, or for more information on my/our recourse rights, I/we may contact my/our financial institution or visit www.cdnpay.ca

PLEASE PRINT

DATE: _____

Name(s): _____ ABC Utilities Inc. Account Number: _____

Type of Service: Personal ____ Business ____

Address: _____

City/Town: _____ Province: _____ Postal Code: _____

Phone Number: (Bus.) _____ (Res.) _____

Financial Institution (FI): _____

FI Account Number: _____ FI Transit Number: _____ - _____

(branch -5 digits; FI – 3 digits)

Address: _____

City/Town: _____ Province: _____ Postal Code: _____

Authorized Signature(s): _____

ABC Utilities Inc.
Attention: Customer Billing Department
987 First Avenue
City, Province, Postal Code
Tel: (999)-999-9999 ext 222
E-mail: billing@abcutilities.com

LEGEND

1 Date and Signature	5 Cancellation of Agreement
2 Authorization to Debit Specific Account	6 Contact Information
3 PAD Category (personal, business, funds transfer)	7 Recourse Statement
4 Amount/Timing	

**Pre-Authorized Debits (PADs) Rule H1
Sample Reimbursement Claim for PADs**

Introduction

This Appendix III sets out the mandatory form of Reimbursement Claim for the purposes of Rule H1 but in the case of Personal PADs only, does not preclude the elements of the form from being formatted to permit a Reimbursement Claim to be Authorized by Internet, e-mail, telephone or other electronic means and/or a Payor from deleting one or more of the paragraphs which are not relevant to a particular claim for reimbursement. For clarity, the elements set out in this Appendix III are in addition to and do not replace any provisions of any other agreement between the Payor and its Processing Member and do not limit a Payor's obligations under any agreement with a Payee that comply with the applicable provisions of Rule H1. Capitalized terms used in this Appendix III have the meanings ascribed to those terms in Rule H1.

Note: A claim for reimbursement by a customer for a disputed PAD must be made within the following timeframes:

REASON	PAD TYPE APPLICABLE	TIMEFRAME FOR RETURN
1 - PAD not drawn in accordance with the terms of an otherwise duly Authorized Payor's PAD Agreement	Personal PAD Business PAD Funds Transfer PAD ¹	Personal PAD ² and Funds Transfer PADs coded other than "650" or "83" - 90 calendar days after date on which the PAD was processed to the Payor's account. Business PAD - 10 business days after date on which the PAD was processed to the Payor's account.
2 - otherwise duly Authorized Payor's PAD Agreement revoked prior to due date	Personal PAD Business PAD Funds Transfer PAD ¹	Personal PAD ² and Funds Transfer PADs coded other than "650" or "83" - 90 calendar days after date on which the PAD was processed to the Payor's account. Business PAD - 10 business days after date on which the PAD was processed to the Payor's account.
3 - Pre-notification/Confirmation not received by Payor	Personal PAD Business PAD Funds Transfer PAD ¹	Personal PAD ² and Funds Transfer PADs coded other than "650" or "83" - 90 calendar days after date on which the PAD was processed to the Payor's account. Business PAD - 10 business days after date on which the PAD was processed to the Payor's account.
4 - Absence of Payor's PAD Agreement	Personal PAD Business PAD Funds Transfer PAD Cash Management PAD	90 calendar days after date on which the PAD was processed to the Payor's or customer's account.

Notes:

1. Funds Transfer PADs bearing transaction type "650" or "83" may only be returned through the clearing for reason 4 (Absence of Payor's PAD Agreement). Refer to Section 23 of Rule H1 for more information.
2. "Personal PADs" include any Personal PAD that has been commingled with a Business PAD, Funds Transfer PAD and/or Cash Management PAD, and any Personal PAD that has been miscoded as a Business PAD.

Sample Reimbursement Claim

Reimbursement Claim

I/We, (Payor name) declare, with reference to a pre-authorized debit (PAD) of \$(amount) drawn in favour of (Payee name) (the PAYEE) on my/our account number (account number) on (date) that was made for _____ (personal/business reasons) (the PAD) that:

1. The PAD was not processed in accordance with my/our Payor's PAD Agreement; OR
2. My/our Payor's PAD Agreement was cancelled/revoked and notice of such cancellation/revocation was provided to the PAYEE days prior to the due date of the PAD;

**Pre-Authorized Debits (PADs) Rule H1
Sample Reimbursement Claim for PADs**

OR:

3. Pre-notification/Confirmation: (Confirmation is the mandatory Written notice from the Payee to the Payor prior to the first PAD wherein the details agreed to by the Payor in setting up an Electronic Agreement with the Payee are confirmed):
- (c) Pre-notification of the PAD was not received in accordance with my/our Payor's PAD Agreement and I/we had not waived the requirement for such Pre-notification;
OR
 - (d) Confirmation of the electronic Payor's PAD Agreement was not received within the time frame agreed to by the Payee and Payor (which shall not be less than 3 days before the first PAD); OR

4. I/We have no Payor's PAD Agreement or other agreement for PADs with the PAYEE and never authorized the PAYEE to draw the PAD.

I/We have not received any reimbursement from the Payee for the PAD.

I/We permit (Payor's Processing Member name) to provide this form of Reimbursement Claim to the PAYEE and to the financial institution acting on behalf of the PAYEE for their records.

Signed: _____
Payor/Valid Signing Authority(ies)

Where the Payor's account agreement with its Processing Member requires the signature of two or more signing authorities, Authorizations by all such persons are required for the purposes of this Reimbursement Claim.

Date

Processing Member Representative

**Pre-Authorized Debits (PADs)
Mandatory Elements of Confirmation
(Electronic Agreements)**

Introduction

This Appendix IV sets out the mandatory elements of a Confirmation form of an Electronic Agreement for the purposes of Canadian Payments Association Rule H1 – Pre-Authorized Debits (PADs), but does not preclude a Payee from including additional provisions or using a different format provided that the mandatory elements below are included. Capitalized terms used in this Appendix IV have the meanings ascribed to those terms in Rule H1.

Form of Confirmation:

[TO BE PLACED ON PAYEE LETTERHEAD]

To: [Payor name] Date: _____
 [Payor address]

Re: Confirmation of Pre-Authorized Debit (PAD) Sign-up

Thank you for signing up for Pre-Authorized Debits from [Payee name]. We have accepted your PAD Agreement and are writing to confirm the following details:

1. Account Name: _____
2. Financial Institution (Name & Transit #): _____
3. Account Number: _____
4. Amount of Payment: _____
5. Frequency of Payment: _____
6. Payment Start Date: _____
7. Type of Pre-Authorized Debit: BUSINESS _____ PERSONAL _____
8. Statement with regard to Pre-notification

Examples:

For fixed-amount PADs

In the event that the amount of this PAD changes, we will send you a written notice identifying the new amount at least 10 days before the first PAD for that amount, with the exception of a reduction in the amount due to a change in tax rate.

For variable PADs:

We will send you a notice identifying the amount of each PAD at least 10 days before each debit.

If Payee has agreed to reduce or waive standard pre-notification period:

You have agreed that we may reduce the standard period of pre-notification for variable amount PADs. We will send you notice of the amount of each PAD five days before the PAD is due.

**Pre-Authorized Debits (PADs)
Mandatory Elements of Confirmation
(Electronic Agreements)**

OR

You have waived your right to receive pre-notification of the amount of the PAD and agreed that you do not require advance notice of the amount of PADs before the debit is processed.

Your Payor's PAD Agreement may be cancelled provided notice is received [Payee to insert agreed upon period – not to exceed thirty (30) days] before the next scheduled PAD. If any of the above details are incorrect, please contact us immediately at [insert contact information]. If the details are correct, you do not need to do anything further and your Pre-Authorized Debits will be processed and start on the Payment Start Date indicated above.

You have certain recourse rights if any debit does not comply with these terms. For example, you have the right to receive a reimbursement for any PAD that is not authorized or is not consistent with this PAD Agreement. To obtain more information on your recourse rights, contact your financial institution or visit www.cdnpay.ca.” (Exception: If a Funds Transfer PAD and coded “650” or “83”, CPA Member initiating the Funds Transfer must advise that the Payor will not have recourse within the CPA Rules).

Thank you,
Payee Name
Payee Contact information

**Pre-Authorized Debits (PADs) Rule H1
Sample “No Reimbursement” Form for Funds Transfer PADs**

Introduction

This Appendix V sets out the mandatory form of “No Reimbursement” notice for the purposes of Canadian Payments Association Rule H1 – Pre-Authorized Debits (PADs), but does not preclude a Processing Member from including additional provisions or using a different format provided that the mandatory provisions below are included. Capitalized terms used in this Appendix V have the meanings ascribed to those terms in Rule H1.

Where a disputed Funds Transfer PAD is coded “650” or “83”, indicating that no recourse shall be provided for that PAD through the clearing system and such PAD is not to be returned to the applicable Sponsoring Member *except* where the Payor claims that no Payor’s PAD Agreement or Payee Letter of Undertaking, as may be applicable, exists, the Payor should be referred to the applicable Sponsoring Member for reimbursement and the form below shall be completed by the Payor’s Processing Member and provided to the Payor to indicate the Processing Member has not provided any reimbursement to the Payor.

Sample “No Reimbursement” Form

We, (Processing Member name), (branch name), (transit number), declare that, with reference to the funds transfer pre-authorized debit (PAD) drawn in favour of (Payee name), (Sponsoring Member name), (branch name), (transit number), in the amount of \$(amount) drawn on the account of (Payor name), account number (account number), on (date), no reimbursement was provided for such PAD.

Signed: _____
Processing Member Representative

_____ Date

**Pre-Authorized Debits (PADs)
Sample Cancellation Notice for PADs**

Introduction

This Appendix VI sets out a sample form of Cancellation Notice for the purposes of Canadian Payments Association Rule H1 – Pre-Authorized Debits (PADs), but does not preclude a Payor from using any communication in Writing or otherwise that clearly instructs a Payee to cease issuing PADs or otherwise revoking a Payor’s PAD Agreement or Authorization to issue PADs. The provisions set forth below are in addition to and not in replacement of any or all provisions of any other agreement between a Payee and a Payor and do not limit a Payor’s obligations under any agreement with a Payee that comply with the provisions of Rule H1. Capitalized terms used in this Appendix VI have the meanings ascribed to those terms in Rule H1.

Form of Sample Cancellation Notice:

CANCELLATION NOTICE

TO: (Payee name)
DATE: (date)

I/We, (Payor name), cancel my/our authorization to issue (Personal, Business, Funds Transfer or Cash Management) pre-authorized debits in the amount of (amount) against my/our account number (account number) effective on (date). I/We acknowledge that this cancellation does not terminate any other obligation that I/we may have with the Payee.

Signed: _____
Payor/Valid Signing Authority(ies)

Note: Subject to the terms of any agreement between a Payor and Payee including their Payor’s PAD Agreement, a Cancellation Notice may be provided to a Payee by way of registered mail, telephone, Internet, e-mail, fax or prepaid courier and must be provided in compliance with the notice requirements for cancellations, if any, set out in the applicable Payor’s PAD Agreement.