PAYMENTS CANADA

RULE A1

GENERAL RULES PERTAININGTO ITEMS ACCEPTABLE FOR EXCHANGE, FOR THE PURPOSE OF CLEARING AND SETTLEMENT

2026 CANADIAN PAYMENTS ASSOCIATION

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TABLE OF CONTENTS

IMPLEMENTED 3

AMENDMENTS PRE-NOVEMBER 2003 3

AMENDMENTS POST-NOVEMBER 2003 3

INTRODUCTION 6

PART I - ITEMS ACCEPTABLE FOR EXCHANGE, FOR THE PURPOSE OF CLEARING AND SETTLEMENT 6

APPROVED PAYMENT ITEMS 6
PAPER ITEMS ACCEPTABLE FOR EXCHANGE, CLEARING AND SETTLEMENT 6
ELECTRONIC ITEMS ACCEPTABLE FOR EXCHANGE, CLEARING AND SETTLEMENT 7
ITEMS NOT DRAWN ON A MEMBER 7
GOVERNMENT PAYMENT ITEMS 7
BONDS, DEBENTURES AND COUPONS 8
INTERNATIONAL PAYMENT ITEMS 8

PART II – DISQUALIFYING CONDITIONS 8

ITEMS IN DISPUTE 8
POST-DATED ITEMS 8
MONTH-DATED ITEMS 8
PROTEST OF NOTICE OF DISHONOUR 8
AMOUNT LIMIT-PAPER ITEMS 8

PART III – PROCEDURES FOR CANADIAN DOLLAR PAPER ITEMS ACCEPTABLE FOR EXCHANGE, FOR THE PURPOSE OF CLEARING AND SETTLEMENT 9

INTRODUCTION 9
EXTRANEOUS ITEMS 9
MICR ENCODING AND FULL MICR LINE REPAIR PROHIBITED 9
RESPONSIBILITY FOR AMOUNT-ENCODING ERRORS 9
CORRECTION OF ERRORS 10
SEGREGATION INTO STREAMS 10
EXCHANGE OF ITEMS 10
MICROFILMING/IMAGING 11

IMPLEMENTED

February 1983

AMENDMENTS PRE-NOVEMBER 2003

May 1985, January 1986, May 1986, January 28, 1987, May 13, 1987, November 18, 1987, March2, 1988, September 21, 1988, March 21, 1990, March 27, 1991, March 25, 1992, September 23, 1992, November 18, 1992, April 28, 1993, February 3, 1994, September 29, 1994, January 12, 1995, March 23, 1995, June 20, 1995, November 27, 1995, January 22, 1996, March 25, 1996, May 23, 1996, September 18, 1996, November 26, 1996, November 26, 1996, January 27, 1997,April 1, 1997, May 26, 1997, May 26, 1997, December 1, 1997, March 12, 1998, July 18, 1998 December 7, 1998, February 4, 1999, December 4, 2000, May 21, 2001, June 4, 2001, April 15, 2002, June 20, 2002, November 25, 2002, February 3, 2003.

AMENDMENTS POST-NOVEMBER 2003

1. Cover page; definition (oo) Telecheque; section 5 a) and b); and Part V, section 19. Approved by the Board November 27, 2003, effective January 27, 2004.
2. 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.
3. Section 21(a). Approved by the Board February 26, 2004, effective April 26, 2004.
4. Added new section 16 and subsequent sections were re-numbered, approved by the Board May 27, 2004, effective September 20, 2004.
5. Section 4(d). Approved by the Board December 1, 2004, effective February 3, 2005.
6. Amendments to sections 5 and 12. Approved by the Board October 11, 2007, effective December 10, 2007.
7. Amendment to section 3(f). Approved by the Board June 12, 2008, effective September 2, 2008.
8. Amendment to delete Section 12 “Conditional Statements” and consequential amendment to Section 8(b), resulting from the removal Rule K7, approved by the Board November 27, 2008, effective January 26, 2009.
9. Amendment to Section 4 to include PIN-less POS Payment Items as electronic items acceptable for Exchange, Clearing and Settlement pursuant to Rule E4; and amendment to section 5(d) to clarify Member’s responsibilities upon acquisition and amalgamation; approved by the Board March 26, 2009, effective May 25, 2009.
10. Amendment to Section 17 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.

11. Amendment to replace references to "General Manager" with "President", consequential to amendments to the Canadian Payments Act (Bill C-37) that came into effect on March 1, 2010.
12. Housekeeping amendments approved by the Board November 24, 2011, effective January 23, 2012.
13. Amendment to section 18a) to place the onus on the Delivering DC to correct errors, specific to incorrect amount-encoding and wrong currency, prior to the exchange, approved by the Board February 23, 2012, effective April 23, 2012.
14. Amendments to add new subsections 3(i), 4(g), 16(b)(iv), 16(b)(v) and 16(d) to accommodate the use of Clearing Replacement Documents, approved by the Board March 29, 2012, effective October 1, 2012.
15. Amendments to section 17 to accommodate changes to the process for return of Items with processing errors, approved by the Board October 11, 2012, effective February 4, 2013.
16. Amendments to accommodate changes to Rule A10 to support the electronic exchange of Image Captured Payments, approved by the Board June 13, 2013, effective August 12, 2013.
17. Housekeeping amendment approved by the Board October 3, 2013, effective December 2, 2013.
18. Amendments to sections 3, 4 and 16 to accommodate the new Correction of Electronic Bill Payment Errors Rule, approved by the Board October 3, 2013, effective January 2, 2014.
19. Amendment to accommodate the removal of "L Stream", approved by the Board October 3, 2013, effective January 2, 2014.
20. Consequential amendments to accommodate the ISO AFT Message Formats, approved by the Board February 18, 2016, to be effective April 18, 2016.
21. Amendment to section 4 to include Delayed Authorization POS Payment Items as electronic items acceptable for Exchange, Clearing and Settlement pursuant to Rule E5. Approved by the Board November 28, 2019, effective January 27, 2020.
22. Consequential amendments to include Image Printouts as an eligible item for exchange, clearing and settlement. Approved by the Board February 27, 2020, effective April 27, 2020.
23. Amendment to remove reference to Bylaw No. 3 in section 2(c), approved by the President, effective November 23, 2020.
24. Consequential amendments to reflect changes to Rules G2 and G3. Approved by the Board December 3, 2020, effective January 2, 2021.

25. Consequential amendments to accommodate the planned replacement of replace LVTS with Lynx and the coordinated usage period for these systems, approved by the Board June 23, 2021, effective August 23, 2021.
26. Consequential amendments to accommodate the removal of the LVTS, approved by the Board May 13, 2022, effective November 21, 2022.
27. Consequential amendments to include Truncated Remittances as an eligible item for exchange, clearing and settlement. Approved by the Board December 7, 2023, effective February 5, 2024.
28. Amendments to accommodate the ACSS clean-up exercise, approved by the Board September 26, 2024, effective November 25, 2024.
29. Amendments resulting from the removal of ACSS Stream "Z" - Computer rejects. Approved by the Board December 11, 2025, effective February 9, 2026.
30. Amendments to accommodate the removal of paper PADs. Approved by the Board May 28, 2026, effective July 27, 2026.

Introduction

1. This Rule outlines the general requirements with respect to Items acceptable for Exchange, for the purpose of Clearing and Settlement.

PART I - ITEMS ACCEPTABLE FOR EXCHANGE, FOR THE PURPOSE OF CLEARING AND SETTLEMENT

Approved Payment Items

2. In accordance with section 6 of *By-law No. 3 – Payment Items and ACSS*, paper-based Payment Items and electronic Payment Items that:
    a. are drawn on a Member, a local that belongs to a central or a cooperative credit association that is a Member;
    b. are payable on demand;
    c. are identified in accordance with Rule A3; and
    d. conform to the requirements set out in the rules, including those relating to value and Value Date;

    may be Exchanged for the purpose of Clearing and Settlement.

Paper Items Acceptable for Exchange, Clearing and Settlement

3. The following paper-based Payment Items are specified as acceptable for Exchange, for the purpose of Clearing and Settlement:
    a. Canadian dollar Cheques drawn by a customer on an account maintained by that customer at a domestic Branch of a Member or of a local that belongs to a central or a cooperative credit association that is a Member, where the decision to honour or dishonour rests with the Drawee, and where proof of signing authority resides with the Drawee;
    b. Inter-Member Debits;
    c. Money Orders and Bank Drafts;
    d. Settlement Vouchers;
    e. Paper Pre-authorized Debits (PADs) created by a Member on its own behalf or on behalf of a Payee;
    f. Returned Items or Redirected Items, as described in Rule A4;
    g. Paper-based Remittances and Truncated Remittances, as described in Rule H6;
    h. Image Printouts, Clearing Replacement Documents (CRDs) and Return Replacement Documents (RRDs), as described in Rule A10; and

i. Paper-based Bill Payment Error Correction Debits, as described in Rule H3.

Note: Effective December 1, 2028 paper PADs will no longer be Items acceptable for Exchange for the purpose of Clearing and Settlement.

Electronic Items Acceptable for Exchange, Clearing and Settlement

4. The following electronic Payment Items are specified as acceptable for Exchange, for the purpose of Clearing and Settlement:
    a. AFT transactions delivered by electronic media in accordance with the F Rules, and with Rules H1 and H3;
    b. POS – shared electronic Point-of-Service (POS) Payment Items, as described in Rule E1;
    c. On-line Payment Items, as described in Rule E2;
    d. EDI – Electronic Data Interchange Payment Items, as described in Rules E3 and H6;
    e. POS – PIN-less Point-of-Service (POS) Payments Items, as described in Rule E4;
    f. POS – Delayed Authorization Point-of-Service (POS) Payment Items, as described in Rule E5; and
    g. ICP Exchange – Image Captured Payment Items Exchanged electronically, as described in Rule A10.

Items not Drawn on a Member

5. Despite the requirement in subsection 2(a), the following Payment Items are acceptable for Exchange, for the purpose of Clearing and Settlement:
    a. Claim Drafts or Reimbursement Drafts, including Store Coupons and Gift Certificates, as described in Rule H2;
    b. Canadian Postal Money Orders;
    c. Traveler's Cheques bearing an Institution Number, as listed in Rule D4; and
    d. for a period of 1 year or for a longer period pursuant to the President's exercise of discretion under subsection 36(2) of *By-law No. 3- Payment Items and ACSS*, Payment Items that are drawn on or payable by a former Member that has been acquired by, or has amalgamated with a Member.

Government Payment Items

6. The G Rules set out the procedures applicable to government instruments drawn on or payable by the Receiver General for Canada, including:
    a. Government of Canada Paper Instruments, as described in Rule G3;
    b. Government of Canada Remittance as described in Rule G4; and

c. AFT Transactions, as described in Rule G12.

Bonds, Debentures and Coupons

7. Rule H5 sets out the procedures applicable to the redemption of Canadian dollar bonds, debentures and coupons.

International Payment Items

8. The K Rules set out the procedures applicable to U.S. dollar Payment Items, including:
   a. U.S. dollar paper Items as described in Rule K1; and
   b. U.S. dollar AFT Transactions as described in Rule K8.

PART II – DISQUALIFYING CONDITIONS

Items in Dispute

9. An Item in Dispute, as described in Rule A6, may not be Exchanged, for the purpose of Clearing and Settlement.

Post-Dated Items

10. An Item that is post-dated may not be Exchanged, for the purpose of Clearing and Settlement.

Month-Dated Items

11. An Item not bearing the day of the month may not be Exchanged, for the purpose of Clearing and Settlement, prior to the first Business Day of the month indicated on the Item.

Protest of Notice of Dishonour

12. An Item bearing a direction requiring protest or notice of dishonour may not be Exchanged, for the purpose of Clearing and Settlement.

Amount Limit-Paper Items

13. a. Canadian dollar paper Items exceeding $25,000,000 may not be Exchanged, for the purpose of Clearing and Settlement, with the exception of an inter-Member payment to manage Settlement Account balances or correct payment flow dislocation between the ACSS and Lynx or to effect payment in a Contingency Situation as a result of an emergency condition affecting Lynx.

b. Two or more paper Items may not be Exchanged, for the purpose of Clearing and Settlement during the same ACSS Cycle for the purpose of avoiding the $25,000,000 limit.

PART III – PROCEDURES FOR CANADIAN DOLLAR PAPER ITEMS ACCEPTABLE FOR EXCHANGE, FOR THE PURPOSE OF CLEARING AND SETTLEMENT

Introduction

14. Each Member must exercise reasonable effort to reduce to a minimum the number of Unqualified Items.

Extraneous Items

15. Prior to amount-encoding an Item, each Extraneous Item must be removed, but where an Extraneous Item cannot be removed, the Item must not be amount-encoded and must be deemed to be an Unqualified Item.

MICR Encoding and Full MICR Line Repair Prohibited

16.
a. All machine-processable Items must be MICR Encoded as to amount prior to Exchange at Regional Exchange Points.

b. Delivering Direct Clearers must also MICR Encode other fields on Items as appropriate:

i. Returned Item Carrier Envelopes (RICEs) (refer to Rule A4);

ii. Pre-Authorized Debits (PADs) (refer to Rule H1);

iii. Return Replacement Documents (RRDs) (refer to Rule A10);

iv. Clearing Replacement Documents (CRDs) (refer to Rule A10); and

v. Paper-based Bill Payment Error Correction Debits (refer to Rule H3).

c. Where outgoing Items are all-field rejected (exclusive of the amount field), delivering Direct Clearers must not repair the Item.

d. Where any field on the outgoing original Payment Item (exclusive of the amount field) is rejected, and where a CRD is being created, the delivering Direct Clearer must follow the procedures set out in Standard 014.

Responsibility for Amount-encoding Errors

17. The Member that initially MICR Encodes the amount on an Item or that Exchanges an Item encoded by any third-party must be responsible for the difference, provided the Item is returned within 90 calendar days of receipt by the Drawee.

Correction of Errors

18. a. All Items identified by the delivering Direct Clearer during processing as incorrectly amount-encoded or in the wrong currency must be corrected by that delivering Direct Clearer prior to the Exchange.

b. An incorrect bundle Listing must be adjusted in such a way that the corrected Item and the adjustment are clearly identified prior to the Exchange.

Segregation into Streams

19. Payment Items must be prepared and segregated for each Direct Clearer according to the following streams (refer to Rule B2 for further information on the contents of each classification):

a. Encoded (Qualified Items see section 16 above). This stream may include Unqualified Items $50,000 and over.

b. Unqualified. This stream includes paper Items which are not suitable for processing on a MICR reader/sorter, particularly,

i. Items without Institution Number MICR Encoding or with obvious changes to the domicile;

ii. mutilated Items, particularly where the bottom or right-hand edges are torn;

iii. unqualified Returned and Redirected Items;

iv. Items with attachments; and

v. adjusting entries.

c. Remittances (paper-based as described in Rule H6).

Exchange of Items

20. With respect to the Exchange of Payment Items:

a. all Items must be Exchanged by stream in separate bundles of not more than 300 Items, securely packaged to preserve the order of the Items; (Members electing to use a Standard Intermember Control Document or Intermember Common Cheque Container(s) must do so in accordance with Standard 010.)

b. a totaled list of Items in the order of the contents, indicating the processing date and the delivering Direct Clearer, must accompany each bundle;

c. the original of a Cheque Clearing Log prepared in accordance with the ACSS User's Guide or Rule B2 must accompany each Exchange of bundles; and

d. the receiving Direct Clearer must give notice to the delivering Direct Clearer of any discrepancy between the bundles received and relevant Cheque Clearing Logs or supporting lists.

Microfilming/Imaging

21. Prior to the Exchange of Items, each delivering Direct Clearer must:

a. microfilm or image all Items, and ensure that necessary controls are in place to maintain the quality and integrity of all microfilmed and imaged Items; or

b. when it has an equipment malfunction, make alternative arrangements with the receiving Direct Clearer.