



**PAYMENTS  
CANADA**

# RULE A4

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## RETURNED AND REDIRECTED ITEMS

2020 CANADIAN PAYMENTS ASSOCIATION

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## IMPLEMENTED

February 1983

## AMENDMENTS PRE-NOVEMBER 2003

March 1984, June 1984, January 1986, May 11, 1988, September 20, 1989, March 27, 1991, June 14, 1991, September 18, 1991, February 7, 1992, March 25, 1992, June 25, 1992, September 23, 1992, May 20, 1993, October 15, 1993, September 29, 1994, March 23, 1995, November 27, 1995, March 25, 1996, May 23, 1996, September 18, 1996, November 25, 1996, April 7, 1997, December 9, 1997, February 4, 1998, July 18, 1998, December 7, 1998, April 5, 1999, May 7, 1999, December 18, 1999, July 24, 2000, October 5, 2000, May 21, 2001, July 19, 2001, July 26, 2001, January 28, 2002, April 15, 2002, June 20, 2002, July 15, 2002, November 25, 2002, November 28, 2002, February 20, 2003, November 24, 2003 and January 27, 2004.

## AMENDMENTS POST-NOVEMBER 2003

1. Cover page; definition (jj); section 6(a) and (g); section 7; section 16 (a), (b) and (c); and section 23. Approved by the Board November 27, 2004, 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 6(e); section 9(a)(ii) and Appendix I section 7; and Appendix I, Attachment II. Approved by the Board February 26, 2004, effective April 26, 2004.
4. Section 3(b)(i) approved by the Board December 1, 2004, effective February 3, 2005.
5. Amendments to Section 16 reflecting changes to the return process for items returned for the reason Material Alteration. Section 19 and Appendix III amended for consistency. Approved by the Board February 24, 2005, effective April 25, 2005.
6. Amendments to allow for Items with a missing endorsement to be returned through the clearing when supported by a declaration form; and amendments to clarify that Items being returned to a customer should be stamped prior to return and that items less than \$20 should not be returned where there is a difference in the amount in the body and in the figures; approved by the Board June 6, 2007 effective August 6, 2007.
7. Amendments to Section 3(b)(ii) changing referenced Rule H1 section numbers as a result of revisions to Rule H1 approved by the Board on February 21, 2008, effective June 20, 2008.
8. Amendments to reflect changes to the return timeframes for Items cleared in the wrong currency, Items with incorrect amount encoding, and Items with a Forged Endorsement; and to clarify, where applicable, that return timeframes are in calendar days. Approved by the Board November 29, 2007, effective June 23, 2008.

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9. Amendments to reflect that declaration forms should be retained by the Drawee and provided to the Negotiating Institution upon request. Approved by the Board October 11, 2007, effective October 20, 2008.
10. Definition for “Duplicate Payment” added to section 2 and amendment to section 6(c) to reflect changes to return timeframe for duplicate items and reason for return. Amendment to clarify the process for providing a signed Declaration as well as to Section 4(c) to clarify the return of Bank Drafts and Money Orders. Amendments approved by the Board November 27, 2008, effective January 26, 2009.
11. Amendment to Section 3 to include PIN-less POS Payment Items as an item that will not be governed by Rule A4. Approved by the Board March 26, 2009, effective May 25, 2009.
12. Amendments to Section 7 to clarify the treatment of an Item that is addressed to a Branch of a Member that has been sold to another Member. Approved by the Board October 15, 2009, effective December 14, 2009.
13. Consequential amendments to sections 4(b), 19(a) and 20 (c) (i) (1), in relation to the addition of the “Intended Payee(s) Not Paid” reason for Return, approved by the Board October 15, 2009, effective December 14, 2009.
14. 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.
15. Amendment to subsection 1(a) to accommodate the use of Image Printouts for the purpose of return. Amendment to subsection 12(c) and addition of subsection 12(d) to clarify that certification of dishonoured post-dated Items for the purpose of clearing is not permitted. Approved by the Board December 2, 2009, effective June 1, 2010.
16. Amendments to clarify the process for handling Misdirected Returned Items and add a new section 18 to include a process for Misdirected Items, approved by the Board March 25, 2010, effective May 25, 2010.
17. Amendments to section 12 to introduce the use of the Item Dishonoured Stamp for the return of Items that are post-dated, approved by the Board March 25, 2010, effective June 1, 2010.
18. Amendments to Appendix VI to provide a sample design for the new “Item Dishonoured” Stamp approved by the Board in March 2010. Sample design approved by the Board June 16, 2010, effective August 16, 2010.
19. Amendment to subsection 1(a) to accommodate the use of Return Replacement Documents for the purpose of return. Amendment to definition of Duplicate Payment. Amendments to section 12 and Appendix VI to eliminate the use of the Pursuant to Stamp and Reason for Return Stamp. Deletion of section 13. Approved by the Board December 2, 2010, effective June 1, 2011.

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20. Amendments to sections 1, 6 and 8 to accommodate the use of Clearing Replacement Documents. Approved by the Board March 29, 2012, effective October 1, 2012.
21. Amendments to accommodate changes to the process for return of Items with processing errors, and consequential amendments, approved by the Board October 11, 2012, effective February 4, 2013.
22. Amendments to add clarification for the routing of returned CRDs, approved by the Board February 21, 2013, effective April 22, 2013.
23. Amendments to accommodate changes to Rule A10 to support electronic clearing exchange, approved by the Board June 13, 2013, effective August 12, 2013.
24. Amendments to accommodate the new Correction of Electronic Bill Payment Errors Rule, approved by the Board October 3, 2013, effective January 2, 2014.
25. Amendments to amend the definition of Duplicate Payment Item and corresponding consequential amendments, approved by the Board April 7, 2016, effective June 6, 2016.
26. Amendments to accommodate Inter-member Debit for multiple duplicate return and Appendix VII Duplicate Return Log. Approved by the Board February 23, 2017, effective April 24, 2017.
27. Amendments to expand acceptable reasons for return of Certified Items, approved by the Board June 23, 2017, effective August 21, 2017.
28. Amendments to section 3(b)(i) to include Delayed Authorization Point-of-Service Payment Items as an item that will not be governed by Rule A4. Approved by the Board November 28, 2019, effective January 27, 2020.
29. Amendments to section 11(b)(ii) to accommodate changes to the process for returning items negotiated outside of Canada. Approved by the Board February 27, 2020, effective April 27, 2020.
30. Amendments to the definition of an Image Printout and corresponding consequential amendments. Approved by the Board February 27, 2020, effective April 27, 2020.

## Introduction

1.
  - a. This Rule outlines procedures, timeframes and responsibilities whenever an Item is Exchanged for the purpose of Clearing and Settlement and payment is refused or cannot be obtained, and where the Drawee returns or redirects the Item through the same process. For requirements when an Image Printout, Clearing Replacement Document, Return Replacement Document, or an ICP File is used for the purpose of return, this Rule shall be read in conjunction with Rule A10.
  - b. Nothing in this Rule precludes a Drawee or a Negotiating Institution from exercising its rights and seeking recourse outside of the Rules. Before taking such actions, however, it is recommended that consideration be given to exercising any options available under Rule A6 or Rule A9.

## Definitions

2. In this Rule,
  - a. “Counterfeit Item” means a paper Item that appears to be original or genuine, but has been fraudulently made and, for the purposes of this Rule, shall be considered an Item with a Forged or Unauthorized Signature;
  - b. “CRD or Image MICR Mismatch” means either an occurrence of the MICR encoding (excluding amount and CRD Identifier Code) contained on a Clearing Replacement Document not matching the MICR encoding represented in the Image on the Clearing Replacement Document, or an occurrence of the information included an ICP File not matching the MICR encoding represented on the associated Image of the payment Item.
  - c. “Duplicate Payment Item” means an authorized Item that has been presented, for the purpose of payment, more than once. This may occur in situations where both an original and either an Image, Image Printout, CRD or a photocopy have been presented; an original item has been presented more than once; or where either an Image, Image Printout, CRD or a photocopy has been presented more than once.
  - d. “Forged Endorsement” means an Endorsement in the name of the payee that is not made by that person or by someone authorized to sign on that person’s behalf, but does not include an Endorsement in the name of a payee when the payee name on the face of the Item has been altered without authorization;
  - e. “Forged or Unauthorized Signature” means (i) a signature on the face of an Item that is not the signature of the person (the drawer) that it purports to be, or (ii) a signature that is written on or applied to an Item without the drawer’s authority;
  - f. “Force Majeure” means any event beyond the control of an institution that could not be avoided by the exercise of such standard or care as is reasonable in the circumstances, including acts of God (earthquakes, natural floods, storms), fire, explosion, war, insurrection, riot, disaster, and civil disorder;

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- g. “Image Missing or Not Usable” means an occurrence of all or part of the Image (front portion, back portion or both) on an Image Printout, Clearing Replacement Document or as presented electronically, being missing or where the Image is not Usable in accordance with Rule A10.
- h. “Intended Payee(s) Not Paid” means that the named and Intended Payee(s) of a Payment Item did not receive the funds, but does not include Items where the Payee name on the face of the Item has been altered without authorization.
- i. “Material Alteration” means an unauthorized change to one or more of the completed details of an originally authorized Item, and includes those material alterations identified in the Bills of Exchange Act, which are alterations:
  - i. to the date,
  - ii. to the sum payable,
  - iii. of the time of payment,
  - iv. of the place of payment, or
  - v. of the addition of a place of payment without the acceptor’s assent where a bill has been accepted generally,as well as any alteration of the Drawee or of the Payee name.

### Scope

- 3. The procedures, timeframes and responsibilities set out in this Rule shall:
  - a. apply to each Member, and any other Drawee and shall limit the degree to which they can seek recourse from other institutions pursuant to the Rules on Items which are either dishonoured or otherwise not able to be processed by the Drawee;
  - b. not apply to Items governed by:
    - i. Rule E1 (Shared Electronic Point-of-Service Payment Items), Rule E2 (On-line Payment Items), Rule E3 (EDI Items), Rule E4 (PIN-less Point-of Service Payment Items) and Rule E5 (Delayed Authorization Point-of-Service Payment Items); and
    - ii. sections 20 and 23 of Rule H1 (PAD Items returned because of a payor dispute); and
  - c. not apply to an Item presented at, and settled directly by, the Drawee Branch unless the Item bears a Forged Endorsement, in which case subsection 6(a) shall apply.

### Reason for Return

- 4. Subject to the following exceptions, an Item may be returned by the Drawee pursuant to this Rule if, for any reason payment is refused or cannot be obtained:



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- a. No Item shall be returned for the reason that the “words and figures differ” where the difference is twenty dollars (\$20) or less;
- b. A Drawee may not return an Item that it certified before the Item was Exchanged for the purpose of Clearing and Settlement, unless the Item is returned for the reason “Forged Endorsement”, “Intended Payee(s) Not Paid”, “Duplicate Payment Item”, “Item Incorrectly amount-encoded”, “Item Cleared in Wrong Currency”, “Image Missing or Not Usable”, “CRD or Image MICR Mismatch” or for the reason that the Item has been Materially Altered subsequent to certification; and
- c. A Drawee may not return a Bank Draft or Money Order for the reason “NSF”, “Stale-Dated”, “Funds Not Cleared” or “Payment Stopped”. If a Bank Draft or Money Order has been lost or stolen prior to issue, the return reason “Other – Lost or Stolen prior to Issue” shall be used.

### Time Limitation for Return

5. Subject to section 6, each Item being returned shall be returned by the Drawee, to the Negotiating Institution, as set out in section 11, no later than the Business Day following receipt by the first organizational unit of the Drawee that is able to make or act upon a decision to dishonour the Item.

**Exceptions: Forged Endorsement; Post Dated Items; Duplicate Payment Item; Items Cleared in the Wrong Currency or Incorrectly Amount-Encoded; Force Majeure; Material Alteration; Intended Payee(s) Not Paid; CRD MICR Mismatch; Image Missing or Not Usable; and Telecheques**

6. Notwithstanding section 5, the following exceptions to the time limitation for returning an Item apply:
  - a. Subject to subsection 7(c), Items may be returned for the reason “Forged Endorsement”, as per section 15, up to and including six (6) years after being received by the Drawee;
  - b. an Item may be returned for the reason “post-dated” up to and including the day prior to the due date;
  - c. An Item that is being returned for the reason “Duplicate Payment Item” may be returned up to and including ninety (90) calendar days after being received by the Drawee;
  - d. An Item that is being returned for the reason that it has been cleared in the wrong currency or incorrectly amount-encoded, as per sections 19 and 20 respectively, may be returned up to and including 90 calendar days after being received by the Drawee;
  - e. Where any institution is prevented by reason of a Force Majeure Situation, from acting within the time limits set forth in section 5, the time limits may be extended by the President in accordance with Rule J7;

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- f. An Item may be returned for the reason “Material Alteration”, as per section 15, whether it is apparent or not, up to and including 90 calendar days after being received by the Drawee;
- g. An Item that is being returned for the reason “Intended Payee(s) Not Paid”, as per section 14, may be returned up to and including six (6) years after being received by the Drawee;
- h. A Clearing Replacement Document or ICP Item that is being returned for the reason “CRD or Image MICR Mismatch” may be returned up to and including 90 calendar days after being received by the Drawee;
- i. A Clearing Replacement Document or ICP Item that is being returned for the reason “Image Missing or Not Usable” may be returned up to and including 90 calendar days after being received by the Drawee;
- j. A Telecheque may be returned for the reason “Not Eligible for Clearing” up to and including 90 calendar days after being received by the Drawee; and
- k. A paper-based Bill Payment Error Correction Debit may be returned for the reasons “Not processed in accordance with Authorization” or “Not Authorized” up to and including 90 calendar days after being received by the Drawee in accordance with Rule H3.

[Note: This exception is part of an interim course of action approved by the CPA Board of Directors at its meeting on November 27, 2003, pending development of a broader policy analysis and framework for one-time debits].

### **Greater Certainty: Redirected Items; Drawee Identification where Branch identified on Item has been sold; Items containing Forged or Unauthorized Signature and Forged Endorsement or where the intended Payee(s) was not paid**

- 7. For greater certainty,
  - a. where a Drawee re-routes an Item due to the transfer of an account to another Branch, the timeframe for returns shall not be extended to accommodate this practice.
  - b. where an Item is addressed to a Branch of a Member that has been sold to another Member:
    - i. the name of the Member on the face of the Item determines the Drawee for the purpose of this Rule; and
    - ii. the timeframe for return shall not be extended to accommodate the re-routing of the Item to the Member to whom the Branch has been sold.

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- c. where an Item contains a “Forged or Unauthorized Signature” and either a “Forged Endorsement” or the intended Payee(s) was not paid, the Item shall be returned in accordance with section 5.

### Re-Exchanged Items and Rights of Drawee Institution

8. a. An Item or its photocopy equivalent which has been returned for any reason shall not be Exchanged by the Negotiating Institution a second time, unless:
  - i. authorized in writing by the Drawee Branch (including by fax or by mail);
  - ii. the return is required pursuant to sub-section 10 (c);
  - iii. the Negotiating Institution is re-presenting a Pre-Authorized Debit in accordance with Rule F1 or F4;
  - iv. The Negotiating Institution is sending a dishonoured Cheque to the Payee’s FI in accordance with Rule H6;
  - v. the Negotiating Institution is presenting a new Image Printout, CRD or Image in place of an Image Printout, CRD or Image that was returned for the reason Image Missing or not Usable or for the reason CRD or Image MICR Mismatch; or
  - vi. the Item was originally returned by the Drawee for the reason “Item Cleared in the Wrong Currency” or “Item Incorrectly Amount-Encoded” and the Negotiating Institution is Exchanging the Item in the correct currency and amount.
- b. Where the Negotiating Institution has Exchanged an Item a second time, in contravention of subsection (a), the following procedures shall apply:
  - i. the Drawee may obtain immediate reimbursement by debiting the Negotiating Institution and providing details of the Item to the Negotiating Institution and stating that the Negotiating Institution has contravened CPA Rule A4;
  - ii. the Drawee shall return the Item to the Negotiating Institution with a covering letter by registered or certified mail;
  - iii. upon receipt of the Item, the Negotiating Institution shall not return the debit without prior concurrence of the Drawee; and
  - iv. nothing in this section precludes a Negotiating Institution from declaring the Item in dispute pursuant to Rule A6.

### Method of Return: Returned Item Carrier Envelope and Returned Item Slip

9. Subject to the return methods provided for in Rule A10, each Item shall be returned according to subsection (a), (b) or (c).

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- a. An Item may be inserted in a Returned Item Carrier Envelope which conforms to Appendix I and returned in the following manner:
  - i. Only one Item shall be enclosed in the Returned Item Carrier Envelope.
  - ii. The Item shall be enclosed so that the face of the Item will show and be captured during microfilming or imaging operations.
  - iii. The following information shall be indicated on a Returned Item Carrier Envelope:
    - 1. returning institution's name and address;
    - 2. the date;
    - 3. drawer's account number;
    - 4. complete name and address of the Negotiating Institution; and
    - 5. reason for return.
  - iv. The Returned Item Carrier Envelope shall be encoded as to Transit Number, amount, and the Returned Item transaction code (in accordance with Standard 006).
  - v. Where an Item is being returned for the reason "Material Alteration", where available, details regarding the alteration (i.e. date, amount of Payee name) shall be recorded on the face of the Returned Item Carrier Envelope.
  - vi. Where an Item is being returned for the reason "Item Cleared in the Wrong Currency" or "Item Incorrectly Amount-Encoded", details regarding the error (i.e. the erroneous currency or amount, and the correct currency or amount) shall be recorded on the face of the Returned Item Carrier Envelope.
- b. an Item which is being returned by a Data Centre of the Drawee may be returned by completing and attaching to the Item a pink Returned Item slip (refer to Appendix II).
- c. where multiple Items are to be returned for the reason "Duplicate Payment" as a result of a processing error or other event, the Drawee may, with the consent of the Negotiating Institution, return such Items in the following manner:
  - i. Listing all Items to be returned on a Duplicate Return Log substantially in the form of Appendix VII and providing the listing to the Negotiating Institution in a manner agreed to; and
  - ii. Using an Inter-Member Debit, debit the Negotiating Institution for the total value of all Items listed on the Duplicate Return Log provided. The Drawee shall indicate the reason for the return and reference the applicable Duplicate Return Log on the Inter-Member Debit.

### Errors in Envelopes

10. a. Where an Item is missing from the Returned Item Carrier Envelope, but there is sufficient information on the envelope to identify the Payee and the amount, the envelope shall not be returned by reason of the omission. Tracing shall be initiated to obtain an original or a photocopy of the original Item.
- b. Where the wrong Item is enclosed in the Returned Item Carrier Envelope, but there is sufficient information on the envelope to identify the Payee and the amount, the original envelope shall not be returned by reason of the error. Tracing shall be initiated to obtain an original or a photocopy of the original Item. Both the incorrect Item and a photocopy of the Returned Item Carrier Envelope shall be returned without debit to the address identified in subparagraph 9 (a)(iii)(1).
- c. Where a returned Item is missing from the Returned Item Carrier Envelope, or the wrong Item is enclosed in the Returned Item Carrier Envelope, and there is insufficient information on the envelope to identify the Payee, the envelope and the Item (if available) shall be returned to the address identified in subparagraph 9 (a)(iii)(1).

### **Routing of a Returned Item: Multiple Legible Branch Identifiers; Missing or Illegible Branch Identification; and Missing or Illegible Branch and Data Centre Identifiers; Specific Return Instructions, Foreign Correspondent Items, Pre-Authorized Debits, and AFT Transactions.**

11. a. Subject to subsection (b), Returned Items shall be routed in the following manner:
  - i. Where an Item bears a legible Branch Identification stamp of the Negotiating Institution (refer to Rule A3), it shall be addressed and returned to that Branch. Where more than one legible Branch Identification stamp appears, the one bearing the earliest date shall be deemed to identify the original negotiating Branch. Where both Branch Identification stamps possess the same date, the Drawee may return the item to either Branch.
  - ii. Where the negotiating Branch Identification stamp is missing or illegible, but the Item bears a legible Negotiating Institution Data Centre Identification stamp, the Item shall be returned to the Negotiating Institution's Data Centre.
  - iii. Where both the Negotiating Institution's Branch Identification stamp and Data Centre Identification stamp are missing or illegible, the Item shall be routed to the Drawee's Data Centre or the Drawee's Clearing Agent, as the case may be, for return to the Negotiating Institution. In this situation, the Returned Item Carrier Envelope shall not be MICR encoded in any field (with the exception of the Transaction Code section of the On-Us field, which shall contain the Returned Item transaction code 28).

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- b.
  - i. Where the lower portion of the Branch Identification stamp of the Negotiating Institution contains a specific instruction for the routing of a dishonoured Item and the return instructions are legible, the Item shall be returned to the point so indicated (refer to Rule A3). Where the return instructions are not legible, the Item shall be returned in accordance with the applicable procedures in subsection (a).
  - ii. Where an Item has been negotiated outside of Canada and bears a legible point-of-entry stamp on the face of the Item, it shall be returned to the Canadian Branch identified on this stamp. If the point-of-entry stamp is missing or illegible, the Item shall be returned in accordance with the applicable procedures in subsection (a).

For greater certainty, in accordance with Rule K1, the absence of a point-of-entry stamp is not itself a valid reason to return an Item.

- iii. Where a CRD contains specific Member return routing location information in the Return Routing Information Overlay Area, as provided for in Standard 014, the CRD shall be returned to the location identified in that area.
- iv. Where a CRD does not contain specific Member return routing location information in the Return Routing Information Overlay Area, the CRD shall be returned to the Member first identified in the Financial Institution Endorsement Area, as provided for in Standard 014, where the Financial Institution Endorsements in that area are read from the right edge of the back of the CRD to the left. Where the Financial Institution Endorsements are missing or illegible, the Item shall be returned in accordance with the applicable procedures in subsection (a).
- v. A Pre-Authorized Debit Item shall be returned to the designated Branch of return.
- vi. AFT Items shall be handled as stipulated in rule F1.

### Item Requiring “Item Dishonoured” Stamp

- 12.
  - a. Subject to sections 17, 19 and 20, each Item returned for any reason shall be enfaced by the Drawee with the Item Dishonoured Stamp.
  - b. The Item Dishonoured Stamp (refer to Rule A4, Appendix VI for dimensions) shall be impressed across the face of the Item. Care should be taken not to obliterate any essential information.
  - c. No Item bearing the Item Dishonoured Stamp shall be Exchanged again.

**Item Returned Not Stamped “Item Dishonoured”**

13. Where an Item is not stamped in accordance with section 12, the Negotiating Institution shall make a reasonable effort to apply the stamp before returning the Item to the customer.

**Items with Incomplete/Missing Endorsements**

14. Where the Endorsement on an Item is missing or incomplete, the procedures in either Alternative 1 or 2 shall apply:

ALTERNATIVE 1: Return of Item through the Clearing

- a. An Item with a missing or incomplete Endorsement may be returned for the reason “Intended Payee(s) Not Paid” where supported by a declaration form signed by the named and intended Payee. The Drawee shall:
- i. obtain a declaration substantially in the form of Appendix IV and retain the declaration and a copy of the original Item in accordance with section 18; and
  - ii. enface the Item with the Item Dishonoured Stamp as specified in section 12.

OR

ALTERNATIVE 2: Request Endorsement via Correspondence

- a. An Item shall not be returned through the Exchange process solely for the reason “Missing/incomplete Payee Endorsement”. Subject to subsection 3(b) of Rule A3, where a Payee’s Endorsement is either missing or incomplete and the Drawee elects to obtain the missing/incomplete Endorsement but does not obtain a declaration form signed by the named and intended Payee(s), the matter shall be resolved by correspondence only. To obtain a missing or incomplete Payee Endorsement, the Drawee shall send the Item and its request, via registered or certified mail to the Negotiating Institution.
- b. The Negotiating Institution shall:
- i. within thirty (30) calendar days of the date of the Drawee’s request, provide the missing/incomplete Payee’s Endorsement via registered or certified mail or if not possible, give notice in the same manner, setting out when it will do so;
  - ii. reimburse the Drawee in the event the missing or incomplete Payee’s Endorsement is not provided within ninety (90) calendar days of the request.
  - iii. Where the requested Payee’s Endorsement is provided, the Item may only be subsequently returned by the Drawee for the reason “Forged Endorsement”.

### Forged Endorsements or Material Alteration

15. a. Subject to subsection (b), where an Item is being returned for the reason “Forged Endorsement” or “Material Alteration”, the Drawee shall:
- i. obtain a declaration substantially in the form of Appendix III or V, as appropriate, and retain the declaration and a copy of the original Item in accordance with section 16;
  - ii. enface the Item with the Item Dishonoured Stamp as outlined in section 12, and
  - iii. return in accordance with Rule A10 or paragraph (1) or (2) below:
    1. insert the original Item or its photocopy equivalent into a Returned Item Carrier Envelope; or
    2. the Drawee may debit the Negotiating Institution using an Inter-Member Debit and simultaneously forward the original Item or its photocopy equivalent by registered or certified mail with the reason for return and the following statement identified on the Inter-Member Debit, “supporting documentation sent by certified or registered mail”.
- b. An Item being returned for the reason “Material Alteration” within the time limitation provided for in section 5 may be returned without a declaration.
- c. Notwithstanding subsection (b), the Negotiating Institution may request in writing that a declaration be forwarded. Upon receiving such a request, the Drawee shall make a reasonable effort to forward a declaration substantially in the form of Appendix V.

### Declaration Forms

16. Where a declaration form is to be obtained for return purposes, the following procedures shall apply:
- a. the Drawee shall retain the declaration form and a copy of the original Item for a minimum period of twelve (12) months from the date the Item was returned.
  - b. In the event the Negotiating Institution requires the declaration, the Negotiating Institution shall send a written request, by mail, electronic mail, or fax, to the Drawee, including the details of the Item, prior to the expiration of the twelve (12) months retention timeframe.
  - c. The Drawee shall reimburse the Negotiating Institution in the event that the declaration form or its photocopy/image equivalent is not provided within thirty (30) days of receiving the request.



### Misdirected Items

17. Where an Item is delivered for payment to a Member that is not the Drawee, the Item shall be redirected by the recipient to the Negotiating Institution by completing a Returned Item Carrier Envelope in accordance with section 9, indicating “Not a (name of Member) Item.” The Drawee shall not certify the Item nor enface the Item with the Item Dishonoured Stamp.

### Misdirected Returned Items

18. Where a Returned Item is delivered to a Member other than the Negotiating Institution, the Misdirected Returned Item shall be redirected by the recipient to the Drawee by completing a new Returned Item Carrier Envelope in accordance with section 9, indicating “Not a (name of Member) Item.” The original Returned Item Carrier Envelope shall accompany the new Returned Item Carrier Envelope and the Item.

### Items Cleared in the Wrong Currency

19. a. An Item cleared in the wrong currency may be returned to the Negotiating Institution for the reason “Item Cleared in the Wrong Currency”, provided the Item is returned within 90 calendar days of receipt by the Drawee. The Drawee shall not certify the Item nor enface the Item with the Item Dishonoured Stamp; and
- b. An Item that has been returned for the reason “Item Cleared in the Wrong Currency” and Exchanged by the Negotiating Institution a second time in the correct currency may be subsequently returned by the Drawee for any other applicable reason (e.g., NSF, account closed) in accordance with CPA Rules.

### Item Incorrectly Amount-Encoded

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

### Words and Figures Differ

21. An Item may be returned to the Negotiating Institution for the reason “words and figures differ” where the MICR encoded amount differs from the amount expressed in words on the face of an Item, but is identical to the amount written in figures, provided the Item is returned within the timeframes stipulated in section 5.

### Stale Dated Items

22. a. Subject to subsection (b), each Item dated more than six months prior to presentment for payment may be returned unpaid for the reason “Stale Dated”.
- b. Subsection (a) does not apply if the Item is a Bank Draft, Money Order, Certified Item, or Receiver General Warrant.

Note: Confirmation that such Items are still acceptable may be obtained by inquiry via fax or phone, or by sending the Item on collection.

### Local Return Remote Areas

23. Where an Item is returned within a remote area, the Drawee Branch may:
- a. give notice by telephone to the negotiating Branch of the pending return of the Returned Item, in which case the negotiating Branch may elect to collect the Returned Item in exchange for appropriate reimbursement; or
- b. return the Item accordance with Section 9.

### Appendices

24. Appendices I, II, III, IV, V, VI and VII shall be deemed to form part of this Rule.

## APPENDIX I – PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES

### 1. Introduction

This document sets out procedures and guidelines for Returned Item Carrier Envelopes (hereinafter referred to as “envelopes”) used for the processing of dishonoured Items.

(Note: Many of these procedures and guidelines may also be applied to document carrier envelopes used for the processing of damaged and other documents not processable through high speed automated cheque processing equipment.)

Many of these procedures and guidelines are based on the Check Carrier Envelope Specifications developed by the Accredited Standards Committee (ASC) X9 of the American National Standards Institute (ANSI). Although these specifications have been adapted to the Canadian environment, the ANSI terminology has been retained, wherever possible, to ensure consistency with ANSI documentation.

Copies of ASC X9 standards approved by ANSI as American National Standards can be obtained from the:

Global Information Centre  
240 Catherine Street, Suite 305  
Ottawa, Ontario  
K2P 2G8  
Tel: (613) 237-4250  
Toll free from anywhere in Canada:  
1-800-267-8220  
Fax: (613) 237-4251  
Internet: [gic@micromedia.on.ca](mailto:gic@micromedia.on.ca)

### 1.1 References

The envelopes described in this Appendix are also subject to CPA Standard 006, “Standards and Specifications for MICR Encoded Documents”.

### 2. Scope

This Appendix specifies the physical characteristics, dimensions and construction of envelopes.

## PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES

### 3. Preamble

Envelopes reduce the need for manual processing. They are constructed to facilitate the handling of documents through high speed processing equipment.

### 4. Characteristics

#### 4.1 Design

The face of the envelope shall be constructed of opaque bond paper which must meet the specifications defined in CPA Standard 006. The face of the envelope shall be printed with the information required for returning an Item as specified and provided by the purchasing institution.

A 1.59 cm (5/8") area along the bottom edge shall be reserved for MICR encoding and shall not contain any informational printing. Recommended designs for envelopes are contained in Attachments I and II.

The back of the envelope shall be constructed of a translucent sheet meeting the specifications listed below.

Where envelopes contain glue spots (see below), the translucent sheet, when viewed from the face, shall be bonded to the opaque sheet along the right hand edge and along a line immediately above the band reserved for MICR encoding. The top and left hand (non-leading) edges shall be open.

Where envelopes do not contain glue spots, the translucent sheet shall be bonded to the opaque sheet along the right and left hand edges and along a line immediately above the band reserved for MICR encoding. Only the top edge shall be open.

## PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES

### 4.2 Envelope Size

All envelopes are to be rectangular in shape. The following minimum and maximum dimensions shall be adhered to:

	Length	Depth
Minimum	16.25 cm (6½ ")	7.5 cm (3⅛ ")
Maximum	21.87 cm (8¾ ")	10.8 cm (4¼ ") (MICR clear band included)

### 4.3 Colour

While colour specifications are not defined for the opaque paper parts described above, a white or light pastel coloured stock is recommended in order to provide maximum legibility.

### 4.4 Translucent Sheet

The translucent sheet shall have a thickness (.002"), weight and strength which will allow for visual analysis, microfilming or image capture of a document while inside the envelope. The use of plastic is not recommended as the endorsement stamp may not adhere properly and may therefore smear or be obliterated as the carrier envelope is processed through a reader/sorter. Any material which has a propensity to increase static, shall not be used. The following minimum and maximum specifications shall be adhered to:

## PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES

	Minimum	Maximum
Basis Weight (lb.)	17.5	24
Caliper (Mils)	.0012	2.50
Cross Grain (G)	14	20
With Grain (G)	15	22
Smoothness (Sheffield) (U)		150/95
Porosity Gurley (Sec)		2000
Paper Tensile (lbs.)		20
Opacity (%)	37	65
Brightness (%)		80.0
Curl (%)		3
Moisture (%)	5.0	7.0

### 4.5 MICR Encoding

The Transaction Code section of the On-Ups field on Returned Item Carrier Envelopes shall be encoded prior to clearing with the Returned Item transaction code (code 28).

## 5. Construction

Envelopes must be constructed such that they facilitate the handling of documents through automated cheque processing equipment.

### 5.1 Seams

The seams of the envelope shall be bonded such that they are able to withstand multiple pass machine processing (minimum 10 passes with a 24 lb. Cheque inserted). The bottom seam of the envelope shall not infringe upon the  $\frac{5}{8}$ " clear band.

### 5.2 Glue Spots

#### a. Use of Glue Spots

The purpose of glue spots is to ensure that an envelope will carry an Item without the Item becoming separated from the envelope. Further information regarding the use of glue spots is contained in subsection 10(a) of this Rule.

## PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES

### b. Specifications

Where glue spots are used, one spot shall be located in the middle of the envelope and two spots shall be located one above the other in the upper corner of the open side (the non-leading edge) approximately 1" apart and 1" from the edge. The following requirements shall be met with respect to the amount of glue contained on the glue spots:

- envelopes shall pass an "open and remove item" test at least three times;
- envelopes shall have a minimum of six months "shelf life";
- no residue shall remain on a document upon its removal from the envelope;
- the glue shall be applied to and be contained within the interior surfaces of the envelope; and
- the glue shall not excessively impede removal of the document or cause any damage to the document when it is removed.

### c. Testing Procedures

Suggested testing procedures for glue spot envelopes are outlined below:

- 1) Insert all cheque sizes.
  - ensure ease of handling
- 2) Examine "glue spots" and make sure they meet the specifications outlined in subsections 5.2(b) above.
- 3) Encode the documents with transit, amount and Returned Item transaction code using an encoder that has been tested to ensure that it is encoding to CPA standards (i.e. no debossment, faint ink, etc., as poor encoding would be detrimental to testing).
  - observe MICR encoding for: quality, durability, and smearing
- 4) Subject the envelopes to a minimum of 10 passes through a reader/sorter.
  - watch for: jams, double-feed defects, damage, and empty envelopes
- 5) Examine any rejected items to determine cause.
- 6) Examine reader/sorter endorsements.
  - observe legibility or smearing
- 7) Examine microfilming or imaging.
  - observe image quality

PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES

Recommended Design for Returned Item Carrier Envelope

(Diagram not to scale)

<b>FROM MEMBER/DU MEMBRE</b> (BRANCH/POINT OF SERVICE OFFICE) (DATE) (SUCCURSALE/POINT DE SERVICE) PAYABLE TO/PAYABLE À (PAYÉE/BÉNÉFICIAIRE) DRAWN ON/TIRÉ SUR (PAYOR/PAYEUR) ACCOUNT NO./N° DE COMPTE (PAYOR'S ACCOUNT NO./N° DE COMPTE DU PAYEUR) DATE OF ITEM/ DATE DE L'EFFET      DATE NEGOTIATED/ DATE DE NEGOTIATION		<b>REASON FOR RETURN/MOIF DU RETOUR</b>		ADDITIONAL INFORMATION IF REQUIRED/ RENSEIGNEMENTS SUPPLÉMENTAIRES SI NÉCESSAIRE          INITIALS/INITIALES          AMOUNT/MONTANT
		INSUFFICIENT FUNDS/ INSUFFISANCE DE PROVISIONS	ACCOUNT TRANSFERRED TO YOU/ COMPTE TRANSFÉRÉ CHEZ VOUS	
		CANNOT TRACE/COMPTE INTROUVABLE	DRAWER DECEASED/TIREUR DÉCÉDÉ	
		POST/STALE DATED/ POSTDATE/PÉRIMÉ	WORDS AND FIGURES DIFFER/NON-CONCORDANCE DES MONTANTS EN LETTRES ET EN CHIFFRES	
		PAYMENT STOPPED/ OPPOSITION AU PAIEMENT	FUNDS NOT CLEARED/FONDS NON COMPENSÉS	
		ACCOUNT CLOSED/COMPTE FERMÉ	FUNDS FROZEN/FONDS SOUS SAISIE	
		MATERIAL ALTERATION/ ALTERATION SUBSTANTIELLE	NOT ELIGIBLE FOR CLEARING/NON ADMISSIBLE À LA COMPENSATION	
		COUNTERFEIT ITEM/EFFET CONTREFAIT	NO CHECKING PRIVILEGE/PAS DE PRIVILÈGE DE CHÈQUES	
		FORGED ENDORSEMENT/ ENDOSEMENT FRAUDULEUX	DOMICILE INCORRECT/REQUIRÉ/ DOMICILIATION INEXACTE/REQUISE	
		INTENDED PAYEE NOT PAID/ BÉNÉFICIAIRE VISÉ NON PAYÉ	PAD ITEM UNAUTHORIZED/EFFET PÉA/TORISÉ NON AUTORISÉ	
RETURN TO MEMBER/ RETOURNER AU MEMBRE BRANCH/ SUCCURSALE CITY/ VILLE TRANSIT NO./ N° DE TRANSIT		SIGNATURE IRREGULAR/REQUIRÉ ILLÉGITIME/ FORGED OR UNAUTHORIZED/ SIGNATURE IRRÉGULIÈRE/REQUISE ILLISIBILE/FRAUDULEUSE OU NON AUTORISÉE OTHER – PROVIDE DETAILS/ AUTRE – FOURNIR DÉTAILS ITEM CLEARED IN WRONG CURRENCY/EFFET COMENSÉ DANS LA MAUVAISE DEVISE ITEM IN/EFFET EN _____ CLEARED AS/COMPENSÉ EN _____ ITEM FOR/EFFET POUR \$ _____ INCORRECTLY AMOUNT-ENCODED AS/ MAIS MONTANT CODÉ INCORRECTEMENT COMME \$ _____		



PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES

Rule A4 – Recommended Design for Returned Item Carrier Envelope  
For Use with Automated Bulk Return Equipment

Front Side

<b>FROM DE</b> Financial Institution	<b>BRANCH</b> SUCCURSALE	<b>DATE (YY/MM/DD)</b> (AA/MM/JJ)	<b>REASON FOR RETURN</b> RAISON DE RETOUR	<b>NNNN CC 1.</b>
	Branch, Town	(YY/MM/DD)	Insufficient Funds/ Provisions Insuffisante	6.
<b>PAYABLE TO</b> PAIABLE A	2.			
<b>DRAWN ON</b> TIRE SUR	4. NNNNN			
<b>ACCOUNT NO</b> NUMERO DE COMPTE	99-999	<b>DATE OF ITEM</b> DATE DE L'EFFET	2.	<b>DATE NEGOTIATED</b> DATE DE NEGOTIATION
<b>RETURN TO</b> RETOURNER A	Any Financial Institution Any Branch Any Town		9.	
TRANSIT NO. NUMERO D'IDENTIFICATION				
				INITIALS PARAFE
				AMOUNT MONTANT
				\$999.99
3. NNN NNNNN				3. 99999
				8.
				7.

1. Internal use only, cycle number, exception time worksheet reference number.
2. Fields that will not be mechanically printed.
3. OCR characters to support power MICR encoding.
4. Drawn on field limited to the eleven-digit customer short name.
5. Continuous printer feeder tract.
6. Return reason will be printed in both languages.
7. 5/8" space for MICR encoding.
8. 3/8" space for OCR printing.
9. Background colour.

Reverse side is translucent.

**PROCEDURES AND GUIDELINES FOR RETURNED ITEM CARRIER ENVELOPES**

Reversed Side of Returned Item Carrier Envelope  
for use with Automated Bulk Return Equipment

Translucent side

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FACE OF ITEM SHOULD SHOW THROUGH TRANSLUCENT WINDOW  
TO FACILITATE MICROFILMING OR IMAGING

ENCODE REVERSE

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**APPENDIX II –**  
Recommended Design for Return Slip/Modèle de Bordereau de Retour

For Data Centre Use Only

Pour Usage Seulement aux Centres de Traitement

RETURN TO Member RETOURNER AU Membre _____ Branch Succursale _____			
REASON FOR RETURN – MOTIF DE RETOUR			
Member stamp required Timbre de Membre requis		Incorrectly listed as Mal inscrit, sur liste	
Not for us Pas pour nous			
Not endorsed Non endorsed		U.S. – Other currency E.U. et autres devises étrangères	
Domicile incorrect/required Adresse inexacte/requise		Member unidentified Membre non identifié	
PAD item not correctly encoded Effet pré-autorisé Incorrectement codé		See reason slip attached Voir feuilles annexé	
		Not eligible for clearing Non admissible à la compensation	
More particulars required-specify Plus amples détails requis-spécifiez			
Sub-List Sous-liste		List Total Total de la liste	
Date of list Date de la liste		Position on list Position sur liste	
Fold here and staple		Plier ici et brocher	
MEMBER/MEMBRE			
From/De	Date and endorsement stamp of clearing Centre Timbre avec date et endossement du Centre de Compensation		

1. Paper Colour - Pink
2. Form Size - 5½ "Long by 3½" Wide
3. Paper Weight – 32 M or 16 lb - Bond
4. Bilingual Throughout

1. Couleur du papier - Rose
2. Format 5½ de long sur 3½ largeur
3. Poids du papier 32M ou 16 l papier bond
4. Entièrement bilingue

APPENDIX III

Declaration that the Endorsement of a Payment Item is a Forgery

**[To be completed and signed by intended payee where another person has endorsed the item in the name of that payee]**

I (We) \_\_\_\_\_ declare that, with reference to the Item in the amount of \$\_\_\_\_\_ (copy attached) drawn on account number \_\_\_\_\_ on \_\_\_\_\_, and purporting to be endorsed by

(Date)

me (us), I (We) did not endorse the Item nor did I (We) authorize anyone to endorse the Item on my (our) behalf. The endorsement is a forgery. I (We) became aware of this situation on \_\_\_\_\_

(Date)

I/WE UNDERSTAND THAT MAKING A FALSE DECLARATION IS A CRIMINAL OFFENCE.

Signed \_\_\_\_\_

\_\_\_\_\_

(Witness)

On \_\_\_\_\_

(Date)

APPENDIX IV

Declaration that the Named and Intended Payee(s) did not Receive the Funds

[To be completed and signed by intended payee(s)]

I (We), \_\_\_\_\_ declare that, with reference to the Item in the amount of \$\_\_\_\_\_ (copy attached) drawn on account number \_\_\_\_\_ on \_\_\_\_\_, and purporting to be  
(Date)

received by me (us), I (we) am the named and intended Payee(s) on the Item and I (we) did not receive the funds nor did I (we) authorize anyone to receive the funds on my (our) behalf. I (we) became aware of this on \_\_\_\_\_.  
(Date)

I/WE UNDERSTAND THAT MAKING A FALSE DECLARATION IS A CRIMINAL OFFENCE

Signed \_\_\_\_\_

\_\_\_\_\_  
(Witness)

On \_\_\_\_\_

(Date)

**APPENDIX V – RETURNED AND REDIRECTED ITEMS**

**Declaration form for a Material Alteration**

Drawee institution: \_\_\_\_\_

Date appearing on Item: \_\_\_\_\_

Payee appearing on Item: \_\_\_\_\_

Amount appearing on Item: \_\_\_\_\_

I/we \_\_\_\_\_ (individual name) [as \_\_\_\_\_ (title) for \_\_\_\_\_ (company/partnership/association name)] do solemnly declare that:

1. I/we have examined the Item # \_\_\_\_\_ (copy attached) drawn on the above drawee institution dated \_\_\_\_\_ purporting to be in the amount of \$\_\_\_\_\_ and purporting to be payable to \_\_\_\_\_.
2. To the best of my/our information and belief, the attached copy of the Item is an alteration of an Item which was originally validly issued by me/us. The original Item which was issued by me/us was payable to \_\_\_\_\_ for \$\_\_\_\_\_, dated \_\_\_\_\_ and that original Item has been altered by changing the payee name to \_\_\_\_\_ and/or the amount to \$\_\_\_\_\_ and /or the date to \_\_\_\_\_.
3. The attached copy of the Item has been altered subsequent to issuance by me/us without me/our knowledge or authorization and I/we have not received and will not receive any benefit from such Item. I/We became aware of this situation on \_\_\_\_\_ (date).

I/WE UNDERSTAND THAT MAKING A FALSE DECLARATION IS A CRIMINAL OFFENCE.

\_\_\_\_\_  
Witness Signature:

\_\_\_\_\_  
Signature of individual/authorized signing Officer

\_\_\_\_\_  
[Company/partnership association name]

\_\_\_\_\_  
Date

APPENDIX VI

Recommended design for the Item Dishonoured Stamp



(Diagram not to scale)

APPENDIX VII

Duplicate Return Log

Transit	Institution	Account	Serial #	Sequence # of Original Item 1 & Date Exchanged (MMDDYYYY)	Sequence # of Duplicate Item 2 & Date Exchanged (MMDDYYYY)