RULE B1

INTERMEMBER EXCHANGE AND CLEARING AT REGIONAL EXCHANGE POINTS

2019 CANADIAN PAYMENTS ASSOCIATION

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RULE B1 – INTERMEMBER EXCHANGE AND CLEARING AT REGIONAL EXCHANGE POINTS

IMPLEMENTED

February, 1983

AMENDMENTS PRE-NOVEMBER 2003


AMENDMENTS POST-NOVEMBER 2003

1. Amended to reflect consistency with the new CPA Payment Items and ACSS By-law, approved by the Board November 27, 2003, effective January 27, 2004.


4. Addition of requirement to add separate ACSS entries for inter-Member payments to manage Settlement Account balances or correct payment flow dislocation between the ACSS and the LVTS. Approved by the Board February 23, 2006, effective April 24, 2006.


6. 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.

7. Consequential amendments to reflect changes made to Rule A4 to clarify the handling of Misdirected Items and Misdirected Returned Items, approved by the Board March 25, 2010, effective May 25, 2010.


11. Amendments to provide some additional information and clarity around the correction of entry errors in the ACSS. Approved by the Board February 13, 2014, effective April 7, 2014.

12. Amendments to accommodate changes associated with the IP Enablement Project. Approved by the Board June 18, 2015, effective August 17, 2015.

13. Amendments to sections 3, 12 and 19 to replace operational committee names (‘National Clearings Committee’ to ‘Senior Operational Committee’) to reflect the restructuring of operational committees. Approved by the Board December 1, 2016, effective December 31, 2016.

14. Amendment to add section 14 to accommodate changes associated with the ACSS Interim Credit Risk Model. Approved by the Board November 30, 2017, effective March 12, 2018.

15. Amendments to accommodate the requirement for Direct Clearers to attest to the ACSS Service Level Description and to sections 4 and 6 of the CPA Services Network (CSN) Service Level Description. Approved by the Board November 29, 2018, effective February 13, 2019.
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Introduction

1. This Rule outlines the obligations and responsibilities of participating Direct Clearers with respect to the Automated Clearing Settlement System (ACSS) including the related obligations and responsibilities of the members and officers of Regional Clearing Associations (RCAs) and the procedures to be followed by and the responsibilities of Direct Clearers in the event of a Contingency Situation. This Rule shall be read in conjunction with the ACSS/USBE User Guide, ACSS/USBE Service Level Description, By-law No. 3 – Payment Items and ACSS and all other pertinent Rules.

Definitions

2. In this Rule:

   a. “Contingency Situation” means an interruption in service which affects the ability of a Direct Clearer at a Regional Exchange Point to meet the requirements related to the Exchange of Items and for which the Direct Clearer has back-up plans in place.

ACSS/USBE User Guide, ACSS/USBE Service Level Description and CSN Services Level Description

3. a. ACSS/USBE User Guide:

   i. The ACSS/USBE User Guide contains procedures and operating instructions necessary to ensure the correct use of the ACSS/USBE. It shall be followed at all times.

   ii. Should changes to the ACSS/USBE User Guide be found necessary or desirable, requests for such changes shall be referred to the CPA.

   iii. Where such changes necessitate amendments to the application programs, or are such as to require other technical involvement, their introduction shall be managed by the CPA.

   iv. Should the CPA find it necessary to effect technical changes to the system that impact upon the operation of the system and thus the ACSS/USBE User Guide, it shall so advise the Senior Operational Committee and seek its direction as to the timing and manner of the introduction of such changes.

b. ACSS/USBE Service Level Description and CSN Services Level Description:

   i. The ACSS/USBE Service Level Description outlines the CPA’s service functions related to the delivery, support and maintenance of the
ACSS/USBE. The Service Level Description also outlines Direct Clearer responsibilities in using the ACSS/USBE services and support to ensure security and operability of the systems.

ii. Each Direct Clearer shall ensure that it remains in compliance with all requirements outlined in the ACSS/USBE Service Level Description and sections 4 and 6 of the CPA Services Network (CSN) Service Level Description, as these may be amended from time to time. Direct Clearers shall provide to the CPA, by way of an attestation form, confirmation of compliance for each calendar year. The completed attestation form, along with internal audit sign-off, shall be provided to the CPA by each Direct Clearer’s Senior Operational Committee representative no later than January 31 of the following year. The attestation form will be provided by the CPA.

Notes: For a copy of the most recent version of the ACSS Service Level Description or CSN Service Level Description, please contact the CPA Service Desk.

Submission of annual attestation shall begin in January 2020 for the calendar year January 1 to December 31, 2019.

Internal audit sign-off shall begin in January 2021, for the calendar year January 1 to December 31, 2020.

Responsibility of the Regional Clearing Association

4. a. The officers and members of each RCA shall be responsible for the orderly conduct of the Exchanges and for the proper use of the ACSS within their region.
   
b. The RCA Chairperson shall report all perceived infractions or abuse to the President of the CPA.

Dedicated ACSS/USBE Workstations, Back-Up and System Support

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

e. For system support, Direct Clearers and other ACSS/USBE users shall contact the CPA Service Desk, as outlined in Appendix II.

Volume and Value

6. Entries into the ACSS shall include the total number of transactions, the stream code, and the gross amount.

Delivery Numbers

7. If an ACSS entry is in relation to an inter-Member payment to manage Settlement account balances or correct payment flow dislocation between the ACSS and the LVTS, the ACSS entry shall be made using delivery number Z8.

ACSS Entries, System-Generated Clearing Logs, Off-line Logs and On-line Update of Off-line Log Clearing Data

8. a. All ACSS entries shall be entered into the system as soon as they are available.

b. During normal operation of the system, Clearing Logs included with Items being Exchanged shall be system generated.

c. In the event on-line access to the ACSS host computer is not available, off-line Logs generated by a regional ACSS/USBE workstation, or manually prepared, (refer to Rule B2) shall accompany the Items being Exchanged. These Logs shall be clearly annotated that they are “off-line Logs” and that the on-line ACSS updates have yet to be made.

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

Cut-off Times, Final Exchange Time, Initial Closing Time and Final Closing Time

9. The ACSS procedures include the following critical cut-off times:
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a. The Final Exchange time signifies the time of the last physical Exchange of Items as established by each RCA. Except as otherwise stipulated in the CPA Rules, all deliveries for the current ACSS Cycle shall be entered into the ACSS by this time.

b. The initial closing time signifies:
   i. the time at which the ACSS strikes the balances for each Direct Clearer; and
   ii. the latest time at which deliveries for the current ACSS Cycle may be contested;

and is 09:30 hours Ottawa Time in the National Electronic Settlement Region, Halifax, Montreal and Toronto and 10:30 hours Ottawa Time at all other Regional Exchange Points (Appendix I contains a summary of ACSS closing times). There shall be no extension to this time. Up until the initial closing time, deliveries shall automatically effect a change to the balances due to, or from, each Direct Clearer notwithstanding that such deliveries may be contested.

c. The final closing time signifies:
   i. the time at which the ACSS strikes the closing balances for each Direct Clearer; and
   ii. the latest time at which re-openings of the ACSS through the usual procedures may be effected:

and is 11:00 hours Ottawa Time at all Regional Exchange Points.

Contested Delivery and Discrepancy in Volumes or Streams

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

   i. the Direct Clearer that made the error shall attempt to correct the error by adjusting the delivery prior to the next Exchange. In the event the Contested Delivery relates to the Final Exchange then the delivering Direct Clearer shall effect the appropriate change to the relative ACSS entry;

   ii. subject to subsection (iii), the minimum amount that may be contested is at the discretion of each Regional Clearing Association but this amount shall not exceed $50,000;

   iii. errors of $20.00 or less shall be absorbed by the receiving Direct Clearer;

   iv. no Direct Clearer shall be obligated to accept Items after the Final Exchange;

   v. Misdirected Items shall be returned to the Negotiating Institution; and

   vi. Misdirected Returned Items shall be returned to the Drawee.
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b. No Contested Delivery shall be made in respect of a discrepancy in the volume of Items within a delivery. Upon discovery of such a discrepancy, where the difference is greater than 1000 items, written notice shall be provided to the CPA Service Desk, which shall adjust the Clearing statistics accordingly.

c. No Contested Delivery shall be made in respect of an entry made to the wrong stream where the amount of the delivery has been entered correctly. Upon discovery of an entry to the wrong stream, written notice shall be provided to the CPA Service Desk, which shall adjust the clearing statistics accordingly.

Re-opening of ACSS

11. Each re-opening shall be:
   a. made after the initial closing time but before the final closing time;
   b. made pursuant to a mutual agreement between the Direct Clearers involved;
   c. in respect of an amount greater than or equal to $1,000,000;
      
      Note: A difference of $20.00 or less shall be absorbed by the receiving Direct Clearer. A difference exceeding $20.00 but less than $1,000,000 shall be adjusted as described in sub-section 13(c).
   
   d. made pursuant to a valid reason, such as, but not limited to, one of the following:
      i. listing of Item(s) for a wrong amount;
      ii. failing to list Item(s) included in the Exchange;
      iii. routing Item(s) to the wrong Direct Clearer;
      iv. improperly including Item(s) in a delivery to another Direct Clearer;
      v. failing to include Item(s) listed;
      vi. failing to clear Item(s) arising from transactions completed prior to 24:00 hours local time on the previous Business Day; or
      vii. failing to clear Item(s) because of delayed transmission of payment instructions in an emergency situation declared on the previous Business Day; and
   
   e. All ACSS re-openings shall be identified by the appropriate reason code.

Extension of Final Closing Time

12. a. In such circumstances as may be defined from time to time by the Senior Operational Committee, the Association may extend the acceptance of re-opening entries beyond the normal closing time. The CPA shall only make such extensions 15 minutes prior to final closing time.
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b. One extension of a duration of thirty (30) minutes (i.e. until 11:30 hours Ottawa Time) may be allowed for each Regional Exchange Point.

c. Upon making such an extension the CPA shall immediately so advise the Bank of Canada

Final Adjustment Time and Settlement Adjustments by the Bank of Canada

13. a. After the ACSS final closing time, taking into account any extension, the ACSS shall cease to accept entries for the current ACSS Cycle. Errors of amounts exceeding $1,000,000 that are detected and agreed upon by the affected Direct Clearers may be adjusted by the Bank of Canada using direct entries to the corresponding settlement accounts after the ACSS final closing time (11:00 hours Ottawa Time) and no later than the Bank of Canada’s Final Adjustment Time (11:45 hours Ottawa Time). Such adjustments are subject to approval by the Bank of Canada and should only be requested where the error would have a significantly detrimental effect on a Direct Clearer’s settlement position.

b. In order that such adjustments to a Direct Clearer’s settlement account can be reflected in the statistical reports, the Direct Clearers involved in the adjustment shall provide written notice to the CPA Service Desk within three (3) Business Days (see Appendix III).

c. Where an error is detected and agreed upon by the affected Direct Clearers after the final closing time and not adjusted following the procedures in subsection (a), the affected Direct Clearers shall use an Inter-member Debit, Settlement Voucher or LVTS Payment to correct the error as soon as possible. Where such error also involves a discrepancy in the volume of Items, written notice of the volume discrepancy shall be provided to the CPA Service Desk, which shall adjust the Clearing statistics accordingly.

Settlement of Clearing Balances

14. After the final closing time and the final adjustment time (if any), and if a Direct Clearer is not in default within the meaning of By-law No. 3 – Payment Items and ACSS, the Bank of Canada shall effect Settlement by no later than 12:00 hours Ottawa Time or such later time as may be considered appropriate by the CPA following consultation with the Bank of Canada.

Suspension of Exchanges

15. In accordance with Section 46 of By-law No. 3 – Payment Items and ACSS, if it has become impractical to Exchange any class of Payment Items at a particular Regional Exchange Point on any given day, the President may, after consulting the Direct Clearers
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and the Bank of Canada, suspend the Exchange of the class of Payment Items or of all Payment Items for the Regional Exchange Point.

System Failure

16. The detailed procedures to be followed in the event that a system failure prevents the automated determination of final balances are described in the ACSS User Guide and Rule B9.

Regional and Civic Holidays

17. Subject to the exceptions indicated below, Regional and Civic Holidays are considered normal Business Days with respect to the Exchange of electronic and paper Items for the purpose of Clearing and Settlement. Exchanges of electronic Items shall take place on the day of the holiday; delivery of paper Items is optional at the discretion of the delivering Direct Clearer. The ACSS shall be operative in all regions during all but ACSS Holidays.

Exceptions:

a. Those Direct Clearers which elect to deliver paper Items shall provide at least 2 weeks prior notice to the RCA, which shall make such special arrangements as local conditions may dictate to permit the efficient Exchange of Items between Direct Clearers on the Regional or Civic Holiday; and

b. Bank of Canada Banking Services Ottawa will be open on Regional and Civic Holidays to provide Settlement for Government of Canada Items.

Contingency Situations

18. The procedures outlined in sections 16 through 19 apply to each Direct Clearer in the event of a Contingency Situation and do not preclude a Direct Clearer from:

a. negotiating bilateral support arrangements with another Direct Clearer; or

b. implementing back-up facilities or capabilities.

19. a. In the event of a Contingency Situation for paper Items, each Direct Clearer shall immediately give notice to the CPA by contacting the Help Desk (see Appendix II).

b. For the purpose of subsection (a), the notice shall include the location of any back-up site and the names, telephone numbers and e-mail addresses of the contact persons at the affected Direct Clearer.

Contingency Situation Emergency Conference Call Meetings

20. Upon the CPA receiving notice of the Contingency Situation for paper Items, it shall advise the Senior Operational Committee and such other persons or entities considered
appropriate. Emergency conference call meetings shall be arranged as deemed necessary by the CPA in consultation with the Senior Operational Committee.

Responsibilities of the Direct Clearer Declaring a Contingency Situation

21. In the event of a Contingency Situation, the affected Direct Clearer shall:
   
a. during each emergency conference call or as otherwise requested by the CPA, provide status reports on the Contingency Situation. The status reports shall include, at a minimum, the following information:
   
i. date, name of institution affected, anticipated recovery time, what region(s) is (are) affected, what systems or processes are affected, and a summary of procedures that are being conducted to resolve the Contingency Situation;
   
b. continue to participate in the usual Exchange of Items and shall be responsible for any additional transportation costs;
   
c. deliver Items under $50,000 with amount MICR Encoding although Items $50,000 and over may be delivered without amount MICR Encoding;
   
d. make entries into the ACSS/USBE, and where necessary, the receiving Direct Clearer shall print the corresponding Cheque Clearing Log;
   
e. continue to accept deliveries and make settlement in accordance with this Rule.

Incident Reports

22. Each Direct Clearer that is required to report on a Contingency Situation for paper Items in accordance with this Rule shall complete and forward an ACSS Paper Contingency Situation Incident Report Form to the CPA as soon as possible and no later than ten (10) Business Days after encountering a Contingency Situation for paper Items (contact the CPA Service Desk to obtain form).
### APPENDIX I

#### Regional Closing Times for Paper Items

<table>
<thead>
<tr>
<th>Regional Exchange Point</th>
<th>Local Closing Times</th>
<th>EST + or -</th>
<th>Ottawa Time Closing Times</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial Time</td>
<td>Final Time</td>
<td>CPA Extension Notifications</td>
</tr>
<tr>
<td>Halifax</td>
<td>10:30</td>
<td>12:00</td>
<td>11:45 - 12:00</td>
</tr>
<tr>
<td>Montreal</td>
<td>09:30</td>
<td>11:00</td>
<td>10:45 - 11:00</td>
</tr>
<tr>
<td>Toronto</td>
<td>09:30</td>
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<td>10:00</td>
<td>09:45 - 10:00</td>
</tr>
<tr>
<td>Calgary</td>
<td>08:30</td>
<td>09:00</td>
<td>08:45 - 09:00</td>
</tr>
<tr>
<td>Vancouver</td>
<td>07:30</td>
<td>08:00</td>
<td>07:45 - 08:00</td>
</tr>
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* EST - Eastern Standard Time

#### National Electronic Settlement Region Closing Time

<table>
<thead>
<tr>
<th>Ottawa Time Closing Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Time</td>
</tr>
<tr>
<td>09:30</td>
</tr>
</tbody>
</table>
APPENDIX II - CPA SERVICE DESK CONTACT INFORMATION

**Hours of Availability**
Twenty Four (24) hours per day, Seven (7) days per week

**Telephone Number***
1-800-263-8863

**Fax Number**
1-613-907-1335

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