PAYMENTS CANADA

RULE H1

PRE-AUTHORIZED DEBITS (PADS)

2026 CANADIAN PAYMENTS ASSOCIATION

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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.
8. Consequential amendments to accommodate the use of ISO 20022 Message Formats, approved by the board February 18, 2016, effective April 18, 2016.
9. Amendments to replace references to Standard 017 with the Canadian ISO 20022 Usage Guidelines, approved by the Board December 1, 2016, effective January 30, 2017.
10. Amendments made as a result of a holistic review of the entire Rule by the Pre-Authorized Debit Working Group, approved by the Board May 13, 2022 and effective October 3, 2022. There will be a grace period which shall end on March 1, 2024 in order to effect all of the changes necessary to comply with the new Rule.

11. Amendments to change the grace period end date in sections 1, 14, 33 and 34 from March 1, 2024 to December 31, 2023. For clarity, the amendments made to the Rule on May 13, 2022 are replaced in their entirety by identical amendments other than the grace period end date amendments as aforesaid. Amendments were approved by the Board June 9, 2022 and are effective October 3, 2022.
12. Amendments to provide clarification of the PAD recourse procedures and to accommodate the ACSS clean up exercise. Approved by the Board February 27, 2025, effective April 28, 2025.
13. Amendments to accommodate the removal of paper PADs. Approved by the Board May 28, 2026, effective July 27, 2026.

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 (PAD). 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 agreement(s) in the form of a Payor's PAD Agreement and/or a Payee Letter of Undertaking, as applicable.

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

   PADs may be for fixed or variable amounts, and may occur once (One-Time) or be recurring (at Set Intervals or on a Sporadic basis).

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

General – References

3. This Rule must be read in conjunction with the following rules, standards and guidelines:
    a. Introduction to the ACSS Rules;
    b. Rule A1;
    c. Rule A4, except as otherwise provided in this Rule or in Rule A4;
    d. the F Rules;
    e. Standard 005;
    f. Standard 006;
    g. Standard 007;
    h. The ISO AFT Usage Guidelines; and
    i. any guidelines relating to PADs published by the 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.

General – Definitions

5. In this Rule,

    a. "Authorization" means the consent or agreement, in accordance with applicable law, of a Payor whose identity has been verified by Commercially Reasonable Methods, 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 20 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 Methods" means procedures for verifying the Payor's identity (i.e. that the Payor is the person that they purport to be). These procedures must be reasonable and appropriate, having regard to the methods for verifying identity in general use for similar types of business and payment applications, and other commercial circumstances of the Payor and Payee at the time the method is 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; and

        vii. whether there is an existing business relationship between the parties.

f. "Confirmation" means the Written notice from the Payee to the Payor containing the details agreed to by the Payor in setting up a Payor's PAD Agreement with the Payee, which may be in the form of a Written copy of the Payor's PAD Agreement or a summary of the key terms of that agreement substantially in the form of Appendix IV, and is communicated in accordance with section 16;

g. "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;

h. "Member Payee" means a Member who is also a Payee;

i. "One-Time" means occurring once, on a set date;

j. "Payee" means a person whose account at a Member is to be, or has been, credited with the amount of a PAD;

k. "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;

l. "Payor" means a person whose account at a Member is to be, or has been, debited with the amount of a PAD;

m. "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;

n. "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;

o. "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;

p. "Pre-notification" means the required Written notice by the Payee or Member Payee to the Payor of the amount or change in amount, or change in date(s) to a PAD, prior to the date of the actual PAD, in accordance with sections 17 - 19;

q. "Processing Member" means a Member that holds the account of a Payor;

r. "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;

s. "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;

t. "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;

u. "Sponsoring Member" means a Member that holds the account of the Payee to be credited with a PAD;

v. "Sporadic" means occurring occasionally, irregularly, intermittently, infrequently, periodically, and not at Set Intervals or One-Time; and

w. "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 will 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 must 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.

Acting on Notices of Change and Identification Modification Advice

7. A Member Payee must accept and act on all Notices of Change (NOC) or Identification Modification Advice (IMA) received in accordance with Rules F1 and F4, respectively.

PART II – PAYEE LETTER OF UNDERTAKING

Payee Letter of Undertaking – Personal PADs and Business PADs

8. Where a Member agrees to act as a Sponsoring Member for a Payee that issues Personal PADs or Business PADs, the Member must:

    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 NOC 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 Rules F1 or F4, as applicable, that does not involve the Payor changing their account to another Processing Member and (ii) deem such NOC to be the Payor's Authorization to change its relevant payment routing information, provided that the Sponsoring Member will be responsible to the Payee for the accuracy of any such NOC that it provides to the Payee.

Payee Letter of Undertaking – Cash Management PADs

9. Where a Member agrees to act as a Sponsoring Member for a Payee that issues Cash Management PADs, the Member must:

    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

10. 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 must obtain a Payor's PAD Agreement from the applicable Payor in accordance with sections 11 and 12.

PART III – PAYOR'S PAD AGREEMENT

Payor's PAD Agreement - Personal PADs and Business PADs

11. A Member acting as a Sponsoring Member for a Payee that issues Personal PADs or Business PADs must:

    a. upon the Payee first entering into a Payee Letter of Undertaking and, subsequently, upon any material amendments to Rule H1, provide or otherwise make available to the Payee 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. obtain the Payee's confirmation, in the Payee Letter of Undertaking or otherwise, that the Payee has in place Commercially Reasonable Methods for use when entering into a Payor's PAD Agreement with a Payor, in accordance with this Rule; 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 use Commercially Reasonable Methods when entering into a Payor's PAD 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.

Payor's PAD Agreement – Members

12. 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 must:

    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

13. 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 must 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 21(a) has expired, then such inability to provide a copy must not, by itself, constitute an act of non-compliance with these Rules.

Payor's PAD Agreement – Exemption

14. Despite any other provisions in this revised Rule, updates are not required to be made to Payor's PAD Agreements Authorized and in effect prior to December 31, 2023 to align with Appendix II. However, on or after December 31, 2023, where there is a conflict between the provisions of an existing Payor's PAD Agreement and this revised Rule, the requirements in this revised Rule apply.

PART IV – PAD AUTHORIZATION

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

15. a. The following Payor approval requirements apply to Personal PADs, Business PADs and Funds Transfer PADs:

i. each PAD must be supported by a Payor's PAD Agreement that contains the mandatory provisions set out in Appendix II;

ii. the Payor's PAD Agreement must set out the timing for the PAD(s), which may occur at Set Intervals, One-Time, or may be Sporadic;

iii. where the Payor's PAD Agreement provides for PADs that are Sporadic, the Payee must obtain an Authorization from the Payor for each and every PAD prior to each PAD being Exchanged and Cleared. Such Authorization may not be waived by the Payor;

iv. where the Payor's PAD Agreement provides for a PAD that is One-Time, the Payee must obtain a new Payor's PAD Agreement for any subsequent PAD;

v. the Payor's PAD Agreement must set out whether the PADs are for a fixed or variable amount, or both, and any conditions that may apply to the amount;

vi. where the Payor's PAD Agreement provides for fixed or variable amount PADs recurring at Set Intervals, no Authorization will 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 sections 17,18, or 19 as may be applicable; and

b. the following approval requirements apply to Cash Management PADs:

i. each Cash Management PAD must be supported by a Payee Letter of Undertaking that contains the mandatory provisions set out in Appendix I;

ii. where the Payee Letter of Undertaking provides for PADs that are Sporadic, the Payee must obtain an Authorization from the Payor for each and every PAD prior to each PAD being Exchanged and Cleared; and

iii. where the Payee Letter of Undertaking provides for a PAD that is One-Time, the Payee must obtain a new Payor's PAD Agreement for any subsequent PADs.

PAD Authorization – Confirmation Requirements, Waiver or Reduction of Confirmation Period: Personal PADs and Business PADs

16. In addition to the requirements set out in section 15, the following Confirmation requirements apply to all Personal PADs and Business PADs:

a. subject to subsection (b), the Payee must, at least 10 calendar days before the due date of the first PAD, provide or make available to the Payor, a Confirmation (which may be in the form of a Written copy of the Payor's PAD Agreement or a summary of the key terms of that agreement substantially in the form of Appendix IV);

b. where Authorized by the Payor, the requirement to provide or make available a Confirmation under subsection (a) may be waived or the 10-calendar day period reduced; and

c. where the Payor has waived the requirement to receive a Confirmation prior to the due date of the first PAD in accordance with subsection (b), the Payee must provide or make available a Confirmation within 5 calendar days following the date of the first PAD.

PAD Authorization – Pre-notification Requirements: Personal PADs and Business PADs occurring at Set Intervals

17. In addition to the requirements set out in section 15, and subject to sections 18 and 19, where a Payor's PAD Agreement provides for Personal PADs or Business PADs recurring at Set Intervals, the Payee or Member Payee must provide or make available Pre-notification specifying the amount and date of the next PAD at least 10 calendar days before

    a. each and any change in the amount of a fixed amount PAD pursuant to paragraph 15(a)(vi) and of any change to the payment date(s); and

    b. the due date of every variable amount PAD after the first PAD.

PAD Authorization – Exceptions to Pre-notification Requirements: Personal PADs and Business PADs occurring at Set Intervals

18. Despite section 17, no Pre-notification is required for Personal PADs and Business PADs recurring at Set Intervals where

    a. the amount of the PAD will decrease as a result of a reduction in municipal, provincial or federal tax; or

    b. if specifically provided for in the applicable Payor's PAD Agreement, the amount of the PAD will change as a result of a direct action on the part of the Payor requesting the Payee to change the amount of a PAD (such as, but not limited to, a telephone instruction).

Waiver of Pre-Notification of changes for all Business PADs or Personal PADs recurring at Set Intervals, as set out in the Payor's PAD Agreements

19. The Payor and Payee or Member Payee, where applicable, may mutually agree to specifically reduce or waive the Pre-notification requirements of section 17 either in the Payor's PAD Agreement or by a separate waiver if proper Authorization for the waiver is provided. If a reduction or waiver clause is inserted into a Payor's PAD Agreement, such reduction or waiver clause must be displayed prominently (e.g. in bold print, highlighted or underlined).

PART V – PAD PROCESSING

PAD Processing – Coding, AFT PADs, Paper PADs

20. PADs must be Exchanged and processed as follows:

    a. In accordance with the "F" Rules and Standard 007, PADs effected through the Automated Funds Transfer (AFT) system must be identified in the dedicated transaction code element (ISO AFT) or field (Standard 005) as follows:

i. Business PADs, transaction type “700” to “749”;

ii. Cash Management PADs, transaction type “420” or “717”;

iii. Funds Transfer PADs where the Member Payee or Sponsoring Member has opted not to provide recourse other than pursuant to section 24, 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 “599” inclusive.

b. In accordance with the “A” Rules and Standard 006, PADs issued on paper must 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 the Member Payee or Sponsoring Member has opted not to provide recourse other than pursuant to section 24, code “83”; and

iv. all other paper PADs do not require a code.

Note: To be eligible for Clearing, paper PADs must be created and entered into the Clearing system directly by a Member, either on its own behalf or on behalf of a Payee.

PAD Processing – Audit Trail

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

a. the Payee must 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; and

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, Representment, Branch of Return Other than Branch of Deposit

22. The following procedures apply to dishonoured PADs:

a. subject to the recourse provisions under section 24, where a PAD is dishonoured for any reason such as, but not limited to, "NSF", "stop payment" or "account closed", it must be returned no later than the Business Day following receipt by the first organizational unit that is able to make or act upon a decision to dishonour the PAD in accordance with the time limitation and the procedures set out in Rule A4, F1 or F4 as applicable;

b. subject to subsection (d), a dishonoured PAD must 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; however, subject to Rule F1 or F4, as applicable, where the account information of the Payee is incorrect, the PAD must 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 Rule F1 or F4. In addition, a PAD must only be re-presented for the same amount as the original PAD (i.e. must not include additional charges); and

d. despite the foregoing provisions of this section, 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 – Absence of Contract, Reimbursement, Time Limit, Claim After Time Limit, Interest Claims, Application of Sections

23. Except where a PAD is dishonoured in accordance with section 22, and despite sections 24, 25 and 26, 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 subsection (b), the Processing Member holding the account of the Payor or customer making a claim must expeditiously reimburse that Payor or customer for the amount of the claim and return the relevant PAD or debit;

b. any claim made under subsection (a) must 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 subsection (b) has expired, any claim disputing the existence of a contract (e.g. no Payor's PAD Agreement or Payee Letter of Undertaking) must be addressed by the parties outside the rules;

d. any claim for interest must 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 must be processed separately from the returned PAD but include full particulars of the PAD; and

e. subsections 24(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 subsection 24(b).

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

24. Subject to a Member opting out of recourse for Funds Transfer PADs coded "650" or "83", as set out in section 25, 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 subsection (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

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 must on a best efforts basis, immediately reimburse the Payor for the amount of the claim;

b. the Processing Member must 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. a Confirmation, Pre-notification or notice was not given in accordance with sections 16, 17, 28 or 29 as may be applicable;

c. the Processing Member must:

   i. 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; and

   ii. retain the duly completed Reimbursement Claim in accordance with F1 or F4 as applicable;

d. any interest claim associated with a PAD being returned under this section must be resolved outside the rules;

e. a Sponsoring Member or Member Payee, as the case may be, must 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 must be returned in accordance with Rule F1 or F4 as applicable; and

g. if a Payor makes a claim under this section 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 must be addressed by the Payor and the Payee outside of the rules and such PAD must not be returned pursuant to the rules.

Reimbursement and Recourse – Recourse Exception: Funds Transfer PADs

25. a. A Member that issues Funds Transfer PADs on behalf of a Payee is not required to offer recourse as set out in section 24(e) to a Processing Member for those PADs except pursuant to section 23. Where a Member elects not to offer recourse for Funds Transfer PADs, the Member must 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 must be addressed by the parties outside the rules and such PAD must not be returned pursuant to the rules; and

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 must provide or otherwise make available to the Payor 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

26. Any dispute by a Payor concerning a Cash Management PAD (i.e. code "420", "717" or "44") other than pursuant to section 23 must be addressed by the Payor or customer and Payee outside the rules and such PAD must not be returned pursuant to the rules.

Reimbursement and Recourse – Payee or Member Payee Dispute

27. Where a Payee or Member Payee disputes the validity of a Payor's claim made under sections 23 or 24 as set out in a duly completed Reimbursement Claim, the dispute must be addressed by the Payor or customer and Payee outside of the rules.

PART VIII – FUNDAMENTAL CHANGES

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

28. 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 Payor's PAD 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 or in the Confirmation, 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 10 calendar days in advance of any PAD being issued in the assignee's name.

Changes to Payee Name

29. With respect to a Payor's PAD Agreement, the Payee must provide a minimum of 10 calendar days Written notice to the Payor in advance of the next PAD, where the Payee's name has changed.

Notice of Cancellation / Revocation

30. a. Subject to subsection (b), where the Payor instructs the Payee to cease issuing PADs, or otherwise revokes the Payor's PAD Agreement or an Authorization to issue PADs, the Payee must

i. use best efforts to cancel the PAD in the next business, billing or processing cycle;

ii. within not more than 30 calendar days from the notice, cease to issue any new PADs against that Payor; and

iii. subject to paragraph (ii), not issue any further PADs against the Payor without that Payor first providing the Payee with a new Payor's PAD Agreement,

provided the Payor has provided their instructions or revocation in Writing, or orally with proper Authorization.

b. Where the Payor and Payee have entered into an agreement (including a Payor's PAD Agreement) that clearly sets out a cancellation period that does not exceed 30 calendar days, a cancellation or revocation under subsection (a) may become effective at the end of that period.

Termination in accordance with Payor's PAD Agreement or Authorization and Notice

31. a. A Payee may terminate a Payor's PAD Agreement in accordance with the terms of that agreement. Where a Payor's PAD Agreement does not address termination by the Payee, the Payee may terminate the Payor's PAD Agreement with Authorization from the Payor or by providing at least 30 calendar days' Written notice to the Payor before ceasing to issue PADs.

b. Where a Payee terminates a Payor's PAD Agreement pursuant to Authorization from the Payor under subsection (a), the Payee must provide or make available a Written statement specifying the date of the final PAD and the effective termination date of the Payor's PAD Agreement within 10 calendar days of the final PAD.

Cancellation Notice

32. For the purpose of cancelling any PAD or revoking Authorization to issue any PAD in accordance with section 30, a cancellation notice in the form set out in Appendix VI may be used.

APPENDIX I - 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.

These requirements and 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 must 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 must (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 must have signed or otherwise duly Authorized and delivered to us an authority instructing us to issue debits and, where applicable, must 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 must 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.

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 must 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 must 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 must 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 must 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.

One-Time PADs

6. Where a Payee intends to issue One-Time PADs against a Payor, the Payee must agree and undertake in its Payee Letter of Undertaking to obtain a signed or otherwise duly Authorized Payor's PAD Agreement for every One-Time PAD that it issues.

General Indemnity

7. In each Payee Letter of Undertaking, the Payee must 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

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

> *"We will be solely responsible for the accuracy and completeness of all information furnished to you and you will 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 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

9. In each Payee Letter of Undertaking, the Payee must 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 will 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

10. Each Payee Letter of Undertaking must 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 Association rules.*
>
> *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.*
>
> *Despite any such termination, the provisions of Rule H1 and the indemnification provisions of this Payee Letter of Undertaking must 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

11. In each Payee Letter of Undertaking, the Payee will 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.

12. Each Payee Letter of Undertaking must 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.
13. Each Payee Letter of Undertaking must 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. if the Payee has prominently displayed (e.g. in bold print, highlighted or underlined) an assignment clause in the Payor's PAD Agreement or the Confirmation 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
    b. 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 10 calendar days in advance of any PAD being issued in the assignee's name.

14. Each Payee Letter of Undertaking must state that the Payee will provide a minimum of 10 calendar days Written notice to the Payor in advance of the next PAD, where the Payee's name has changed.

Time Limitation for Reimbursement

15. Each Payee Letter of Undertaking must 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, a 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."*

Association Rules / Confirmation / Pre-notification

16. In each Payee Letter of Undertaking, the Payee must 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 and Pre-notification requirements or waiver of Confirmation and 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 to PADs including, without limitation, the Confirmation and Pre-notification requirements or waiver of Confirmation and/or Pre-notification requirements, and cancellation requirements as set out in Rule H1."*

Cancellation

17. Without limiting the generality of section 16 of this Appendix I, in each Payee Letter of Undertaking the Payee must agree that,

    a. subject to subsection (b), where the Payor instructs the Payee to cease issuing PADs, or otherwise revokes the Payor's PAD Agreement or an Authorization to issue PADs, the Payee must

        i. use best efforts to cancel the PAD in the next business, billing or processing cycle;

        ii. within not more than 30 calendar days from the notice, cease to issue any new PADs against that Payor; and

        iii. not issue any further PADs against the Payor without that Payor first providing the Payee with a new Payor's PAD Agreement,

provided the Payor has made available their instructions or revocation in Writing, or orally with proper Authorization;

b. where the Payor and Payee have entered into an agreement (including a Payor's PAD Agreement) that clearly sets out a cancelation period **that does not exceed 30 calendar days,** a cancelation or revocation under subsection (a) may become effective at the end of that period.

18. Each Payee Letter of Undertaking must reflect the following:

a. a Payee may terminate a Payor's PAD Agreement in accordance with the terms of that agreement or, where the agreement does not address termination by the Payee, by providing at least 30 calendar days Written notice to the Payor unless otherwise Authorized by the Payor in Writing or orally; and

b. where a Payee terminates a Payor's PAD Agreement pursuant to Authorization from the Payor under subsection (a), the Payee must provide or make available a Written statement specifying the date of the final PAD and the effective termination date of the Payor's PAD Agreement within 10 calendar days of the final PAD.

Notices of Change

19. In each Payee Letter of Undertaking, the Payee must undertake and agree to (a) accept and act on any NOC 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 F1 or F4, as applicable, and (b) deem such NOC to be that Payor's Authorization to change its relevant payment routing information, provided that the Payee's Sponsoring Member will be responsible to the Payee only for the accuracy of information provided in any such NOC that it provides to the Payee.

Re-presentment

20. Each Payee Letter of Undertaking must 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 calendar days, The Payee Letter of Undertaking must specifically state that a re-presentment must not contain interest, NSF charges or any other charges in addition to the original PAD amount.

Commercially Reasonable Methods

21. In each Payee Letter of Undertaking, the Payee must (a) confirm that it has read and understands the definition of Commercially Reasonable Methods in Rule H1, and that it has such methods in place for use when entering into Payor's PAD Agreements; and (b) agree to use Commercially Reasonable Methods when verifying the Payor's identity for a Payor's PAD Agreement in accordance with the requirements of Rule H1.

Other Obligations

22. In each Payee Letter of Undertaking, the Payee must (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."*

APPENDIX II - PAYOR'S PAD AGREEMENT – MANDATORY AND OPTIONAL 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 optional elements which *may* be included in a Payor's PAD Agreement for the purposes of Rule H1:

Mandatory Elements:

- Mandatory for all: elements that *must* be included in *every* Payor's PAD Agreement.
- Mandatory by circumstance: these elements that *must* be included *if* the specified circumstances apply (e.g. Sporadic PADs).

Optional Elements:

- Optional elements that may be included in a Payor's PAD Agreement at the discretion of the Payor and Payee.
- For clarity, this list of elements is not exhaustive; the Payor's PAD Agreement may include other provisions not included in this list, provided such provisions do not conflict with the requirements in 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 for all Elements:

Mandatory Element	Description of Mandatory Element
Date and Signature	A date field in which the execution date of the Payor's PAD Agreement can be recorded. For Written Payor's PAD Agreements, a signature field where 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.

Mandatory Element	Description of Mandatory Element
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 *or* whether each PAD is to be triggered by a specified act, event or other criteria *or* 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 must include cancellation information to the effect that (a) the Payor may revoke their Authorization at any time, subject to providing notice (Payee must set out the notice period which must not exceed 30 calendar days), and (b) the Payee may cease issuing PADs either in accordance with the terms of the Payor's PAD Agreement or, where cancellation is not addressed, in accordance with Rule H1. A Payor's PAD Agreement must 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.payments.ca. Note: One-Time Payor's PADs Agreements only permit a single PAD.
Contact Information	A Payor's PAD Agreement must 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 (e.g. regarding the Payee's practices related to personal information, privacy, and information security), 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.payments.ca."

Mandatory by Circumstance Elements:

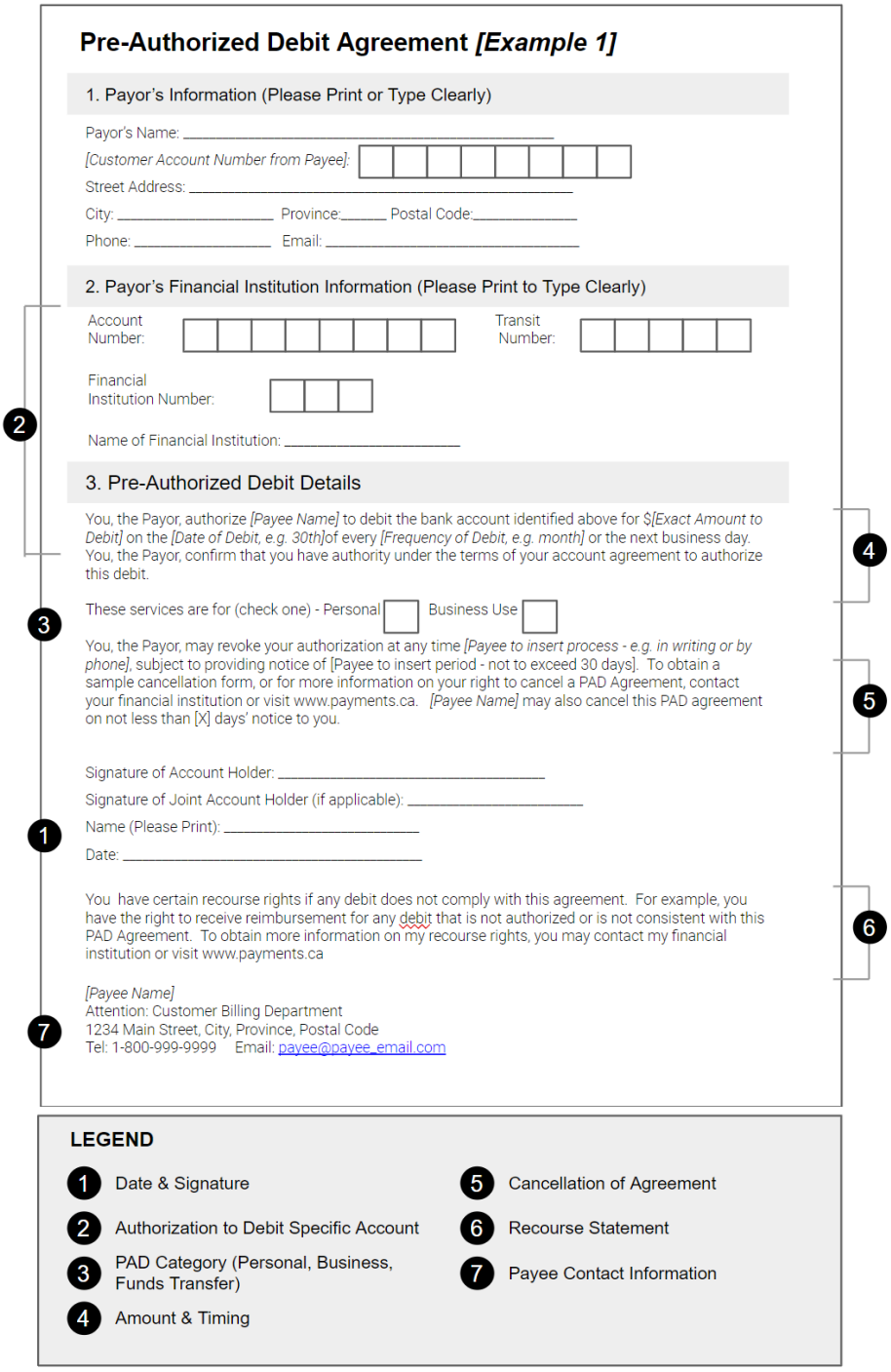
Mandatory by Circumstance Element	Description of Mandatory Element
Funds Transfer PADs Coded "650" or "83"	Where a Funds Transfer PAD is coded "650" or "83", the Member initiating the Funds Transfer must advise that the Payor will not have recourse within the Association rules, unless the PAD is dishonoured for any reason within the next Business Day timeframe following Exchange of the Funds Transfer PAD.
One-Time PADs	A Payor's PAD Agreement that authorizes One-time PADs must specify that the agreement supports a One-Time PAD, and that the Payor's PAD Agreement will no longer be valid once the payment has been fulfilled. Any subsequent PAD(s) require a newly Authorized Payor's PAD Agreement.
Payment Service Provider as a Payee	Where a Payee is collecting payments on behalf of an entity that is providing a Payor with goods and services, the Payor's PAD Agreement must include a statement that describes the arrangement between the Payee and the entity providing the Payor with goods and services.
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.
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.
Waiver/Modification of Pre-notification/ Confirmation requirements	A Payor's PAD Agreement that provides for Personal PADs or Business PADs to be issued at Set Intervals or One-Time may permit the Payor and Payee to mutually waive Pre-notification / Confirmation 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 / Confirmation requirements must be prominently displayed (e.g. bold, highlighted or underlined).

Optional Elements (Note that the Payor and Payee may include additional provisions not listed here at their discretion):

Optional Element	Description of Optional Element
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.
Impact of Termination of Contract for Goods and Services on Payor's PAD Agreement	A Payor's PAD Agreement may outline the impact of the termination of the underlying contract for goods and services on the Payor's PAD Agreement, if any (e.g., triggering termination of the Payor's PAD Agreement, provided this is in accordance with Rule H1).
Impact of Termination of Payor's PAD Agreement on 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.
Jurisdiction of Payor's PAD Agreement	A Payor's PAD Agreement may include Governing Law and Choice of Forum Clause.
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 24(b) of Rule H1 subject to completing a Reimbursement Claim, may include language relating to how a claim for reimbursement may be made.
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

APPENDIX II (CONT'D)

SAMPLE A – Pre-Authorized Debit (PAD) Agreement



Pre-Authorized Debit Agreement *[Example 1]*

1. Payor's Information (Please Print or Type Clearly)

Payor's Name: _____

[Customer Account Number from Payee]: ☐☐☐☐☐☐☐☐

Street Address: _____

City: _____ Province:_____ Postal Code:_____

Phone: _____ Email: _____

2. Payor's Financial Institution Information (Please Print to Type Clearly)

Account Number: ☐☐☐☐☐☐☐☐ Transit Number: ☐☐☐☐☐

Financial Institution Number: ☐☐☐

Name of Financial Institution: _____

3. Pre-Authorized Debit Details

You, the Payor, authorize *[Payee Name]* to debit the bank account identified above for *$[Exact Amount to Debit]* on the *[Date of Debit, e.g. 30th]*of every *[Frequency of Debit, e.g. month]* or the next business day. You, the Payor, confirm that you have authority under the terms of your account agreement to authorize this debit.

These services are for (check one) - Personal ☐ Business Use ☐

You, the Payor, may revoke your authorization at any time *[Payee to insert process - e.g. in writing or by phone]*, 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 your right to cancel a PAD Agreement, contact your financial institution or visit www.payments.ca. *[Payee Name]* may also cancel this PAD agreement on not less than [X] days' notice to you.

Signature of Account Holder: _____

Signature of Joint Account Holder (if applicable): _____

Name (Please Print): _____

Date: _____

You have certain recourse rights if any debit does not comply with this agreement. For example, you 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, you may contact my financial institution or visit www.payments.ca

[Payee Name]
Attention: Customer Billing Department
1234 Main Street, City, Province, Postal Code
Tel: 1-800-999-9999 Email: payee@payee_email.com

LEGEND

1. Date & Signature
2. Authorization to Debit Specific Account
3. PAD Category (Personal, Business, Funds Transfer)
4. Amount & Timing
5. Cancellation of Agreement
6. Recourse Statement
7. Payee Contact Information

APPENDIX II (CONT'D)

SAMPLE B – Pre-Authorized Debit (PAD) Agreement

Pre-Authorized Debit Agreement *[Example 2]*

2 I/we authorize *[Payee Name]*, 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 *[or enter other frequency]* regular recurring payments, for payment of all charges arising under my/our *[Payee Name]* account(s). Regular monthly *[or enter other frequency]* payments for the full amount of services delivered will be debited to my/our specified account on the *[enter day, e.g. 5th]* day of each month. *[Payee Name]* will provide 10 days written notice of the amount of each regular debit. 4

5 This authority is to remain in effect until *[Payee Name]*. 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.payments.ca. *[Payee Name]* may also cancel this PAD agreement on not less than [X] days' notice to you.

[Payee Name] may not assign this authorization, whether directly or indirectly, by operation of law, change of control or otherwise, without providing at least ten (10) day prior written notice to me/us.

6 I/we have certain recourse rights fi 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 institutions or visit www.payments.ca.

Name(s): _____
[Payee Name] Account Number: _____
Type of Service Personal:_____ Business:_____
Address: _____
City/Town:_____ Province:_____ Postal Code: _____
Phone:_____ Email:_____

Please complete the below information about your financial institution and your account OR a copy of another instrument that contains this information (e.g. FI supplied PAD form OR void cheque)

Financial Institution _____ Institution Number_____
Transit Number_____ Account Number_____

2 I/we have authority under the terms of my/our account agreement with my financial institution to debit the account.

Authorized Signature(s): _____

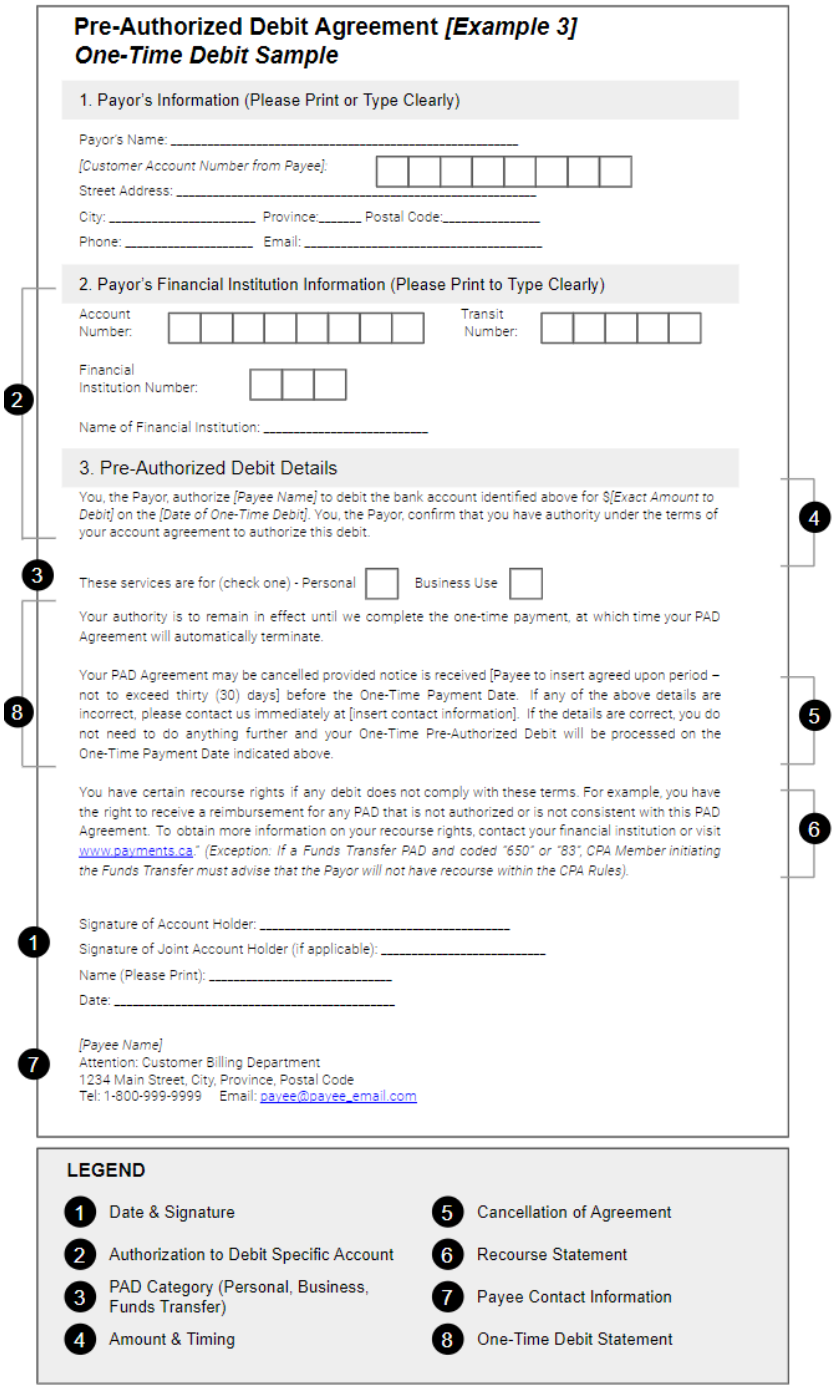
7 *[Payee Name]*
Attention: Customer Billing Department
1234 Main Street, City, Province, Postal Code
Tel: 1-800-999-9999 Email: payee@payee_email.com

LEGEND

1. Date & Signature
2. Authorization to Debit Specific Account
3. PAD Category (Personal, Business, Funds Transfer)
4. Amount & Timing
5. Cancellation of Agreement
6. Recourse Statement
7. Payee Contact Information

APPENDIX II (CONT'D)

SAMPLE C – Sample Payor's Pre-Authorized Debit (PAD) Agreement for One-Time Debits



Pre-Authorized Debit Agreement *[Example 3]*
One-Time Debit Sample

1. Payor's Information (Please Print or Type Clearly)

Payor's Name: _____
[Customer Account Number from Payee]: ☐☐☐☐☐☐☐☐
Street Address: _____
City: _____ Province: _____ Postal Code: _____
Phone: _____ Email: _____

2. Payor's Financial Institution Information (Please Print to Type Clearly)

Account Number: ☐☐☐☐☐☐☐☐ Transit Number: ☐☐☐☐☐

Financial Institution Number: ☐☐☐

Name of Financial Institution: _____

3. Pre-Authorized Debit Details

You, the Payor, authorize *[Payee Name]* to debit the bank account identified above for $*[Exact Amount to Debit]* on the *[Date of One-Time Debit]*. You, the Payor, confirm that you have authority under the terms of your account agreement to authorize this debit.

These services are for (check one) - Personal ☐ Business Use ☐

Your authority is to remain in effect until we complete the one-time payment, at which time your PAD Agreement will automatically terminate.

Your PAD Agreement may be cancelled provided notice is received [Payee to insert agreed upon period – not to exceed thirty (30) days] before the One-Time Payment Date. 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 One-Time Pre-Authorized Debit will be processed on the One-Time Payment 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.payments.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).*

Signature of Account Holder: _____
Signature of Joint Account Holder (if applicable): _____
Name (Please Print): _____
Date: _____

[Payee Name]
Attention: Customer Billing Department
1234 Main Street, City, Province, Postal Code
Tel: 1-800-999-9999 Email: payee@payee_email.com

LEGEND

1. Date & Signature
2. Authorization to Debit Specific Account
3. PAD Category (Personal, Business, Funds Transfer)
4. Amount & Timing
5. Cancellation of Agreement
6. Recourse Statement
7. Payee Contact Information
8. One-Time Debit Statement

APPENDIX II (CONT'D)

SAMPLE D – Sample Payor's Pre-Authorized Debit (PAD) Agreement for Payment Service Providers

Pre-Authorized Debit Agreement *[Example 4]*
Payment Service Provider Example

1. Payor's Information (Please Print or Type Clearly)

Payor's Name: _____

[Customer Account Number from Payee]: ☐☐☐☐☐☐☐☐

Street Address: _____

City: _____ Province:_____ Postal Code:_____

Phone: _____ Email: _____

2. Payor's Financial Institution Information (Please Print to Type Clearly)

Account Number: ☐☐☐☐☐☐☐☐ Transit Number: ☐☐☐☐☐

Financial Institution Number: ☐☐☐

Name of Financial Institution: _____

3. Pre-Authorized Debit Details

The *[Payee Name]* has been contracted by [Entity providing the Payor Goods and Services Name]. You, the Payor, authorize *[Payee Name]* to debit the bank account identified above for $*[Amount to Debit]* on the *[Day of Debit, e.g. 30th]*of every *[e.g. year, month, bi-weekly, weekly, etc.]* or the next business day. The [Payee Name] may appear in the Payor's banking information as the debitor of the PAD. You, the Payor, confirm that you have authority under the terms of your account agreement to authorize this debit.

These services are for (check one) - Personal ☐ Business Use ☐

You, the Payor, may revoke your authorization at any time *[Payee to insert process - e.g. in writing or by phone]*, 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 your right to cancel a PAD Agreement, contact your financial institution or visit www.payments.ca. *[Payee Name]* may also cancel this PAD agreement on not less than [X] days' notice to you.

Signature of Account Holder: _____

Signature of Joint Account Holder (if applicable): _____

Name (Please Print): _____

Date: _____

You have certain recourse rights if any debit does not comply with this agreement. For example, you 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, you may contact my financial institution or visit www.payments.ca

[Payee Name]
Attention: Customer Billing Department
1234 Main Street, City, Province, Postal Code
Tel: 1-800-999-9999 Email: payee@payee_email.com

LEGEND

1. Date & Signature
2. Authorization to Debit Specific Account
3. PAD Category (Personal, Business, Funds Transfer)
4. Amount & Timing
5. Cancellation of Agreement
6. Recourse Statement
7. Payee Contact Information
8. Payment Service Provider Statement

APPENDIX III - SAMPLE REIMBURSEMENT CLAIM FOR PADS

Introduction

This Appendix III sets out the mandatory elements of a Reimbursement Claim for the purposes of Rule H1. Appendix III 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 the date on which the PAD was processed to the Payor's account. Business PAD – 10 Business Days after the 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 the date on which the PAD was processed to the Payor's account. Business PAD – 10 Business Days after the 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 the date on which the PAD was processed to the Payor's account. Business PAD – 10 Business Days after the 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 the 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 ☐ days prior to the due date of the PAD;

   OR:

3. Pre-notification/Confirmation: (Pre-notification is the required Written notice by the Payee or Member Payee to the Payor of the amount, or change in amount, or change in date(s) to a PAD and the date(s) of such debiting, prior to the date of the actual PAD. Confirmation is the Written notice from the Payee to the Payor in which the details agreed to by the Payor in setting up a PAD Agreement with the Payee are confirmed):

   (a) ☐ 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

   (b) ☐ Confirmation of the Payor's PAD Agreement was not received in accordance with Rule H1.

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

APPENDIX IV - MANDATORY ELEMENTS OF A CONFIRMATION -

Introduction

This Appendix IV sets out the mandatory elements of a Confirmation of a Payor's PAD Agreement for the purposes of the Association Rule H1, 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.

Sample 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 (for Set Interval PADs only)
9. Statement with regard to cancellation
10. Statement with regard to recourse

Examples of statements with regard to Pre-notification (including waivers):

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 calendar 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 calendar 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 5 calendar days before the PAD is due.

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.

Example of a statement with regard to cancellation:

Your Payor's PAD Agreement may be cancelled provided notice is received [Payee to insert agreed upon period – not to exceed 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.

Example of statement with regard to recourse:

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, including a Funds Transfer 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.payments.ca." *(Exception: If a Funds Transfer PAD is coded "650" or "83", Member initiating the Funds Transfer must advise that the Payor will not have recourse within the Association rules).*

Thank you,
Payee Name
Payee Contact information

APPENDIX V - 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 the Association Rule H1, 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 may 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 exists, the Payor should be referred to the applicable Sponsoring Member for reimbursement and the form below must 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

APPENDIX VI - SAMPLE CANCELLATION NOTICE FOR PADS

Introduction

This Appendix VI sets out a sample form of Cancellation Notice for the purposes of the Association Rule H1, but does not preclude a Payor or Payee 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 by the Payee 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 Payor 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)

Form of Sample Payee Cancellation Notice:

CANCELLATION NOTICE

TO: *(Payor name)*
DATE: *(date)*

We, *(Payee name)*, cancel the issuance of *(Personal, Business, Funds Transfer or Cash Management)* pre-authorized debits in the amount of *(amount)* against your account number *(account number)* effective on *(date)*. The last PAD will be debited from your account on *(date)*. This cancellation does not terminate any other obligation that you may have with the (Payee name).

Signed: _____ _____
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.