RULE K1

BULK EXCHANGE AND SETTLEMENT OF U.S. DOLLAR PAPER ITEMS

2019 CANADIAN PAYMENTS ASSOCIATION

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RULE K1 - BULK EXCHANGE AND SETTLEMENT OF U.S. DOLLAR PAPER ITEMS

IMPLEMENTED

February 1983

AMENDMENTS PRE-NOVEMBER 2003


AMENDMENTS POST-NOVEMBER 2003


4. Amendment to delete Section 14 “Conditional Statements” and consequential amendments to remove references to US Dollar EDI, resulting from the removal Rule K7, approved by the Board November 27, 2008, effective January 26, 2009.

5. Amendments to Section 18 to accommodate the change to the return timeframe for amount encoding errors from 12 months to 90 Days; and to delete subsection 17(b)(ii) to accommodate the elimination of Returned Item Vouchers. Approved by the Board October 15, 2009, effective November 15, 2009.


7. Amendment to section 17 to accommodate the use of Return Replacement Documents (Rule A10). Approved by the Board December 2, 2010, effective June 1, 2011.

8. Amendments to Appendices I and III to replace references to “Credit Union Central of Canada” with “Central 1 Credit Union”, approved by the Board May 26, 2011, effective July 6, 2011.
9. Amendments to Appendix I to reflect changes in USBE Participation for Central 1 Credit Union in Toronto and Montreal, approved by the Board March 29, 2012, effective May 28, 2012.

10. Amendments to Appendix III to change the Canadian Imperial Bank of Commerce’s (#010) U.S. dollar agent to Wells Fargo Bank, N.A. Revisions made under the authority of the CPA President, effective May 28, 2012.


12. Consequential amendments to section 18 to accommodate changes to Rule A4 regarding the return process for Items with processing errors, approved by the Board October 11, 2012, effective February 4, 2013.


15. Amendments to Appendix I to change HSBC’s participation status to direct participant in all Bulk Exchange Points. Approved by the Board October 3, 2013, effective December 13, 2013.

16. Amendments to refer to Rule K4 for the procedures for the correction of errors in USBE entries. Approved by the Board February 13, 2014, effective April 7, 2014.

17. Amendments to Appendix III to reflect changes in settlement of USBE items for Central 1 Credit Union and HSBC Bank Canada. Approved by the Board February 13, 2014, effective April 7, 2014.

18. Amendments to Appendix III to reflect changes in settlement of USBE items for HSBC Canada. Approved by the Board December 3, 2015, effective February 2, 2016.

19. Amendments to replace references to “La caisse Centrale Desjardins du Québec” and/or “La Fédération des caisses Desjardins du Québec” with “Fédération des caisses Desjardins du Québec”. Revisions made under the authority of the CPA President, effective January 1, 2017.


Introduction

1. This Rule outlines the procedures for the Exchange and Settlement, in Canada, of United States (U.S.) Dollar paper Items.

   (Note: For Rules applicable to U.S. Dollar AFT items, refer to CPA Rule K8 - U.S. Dollar Automated Funds Transfer (AFT) System.)

Scope

2. For the purpose of this Rule:
   a. An Item payable in U.S. dollars but drawn on a financial institution located within Canada, is subject to the Bills of Exchange Act; and
   b. The provisions herein shall not limit the right of a Member to present an Item at the branch upon which it is drawn.

References

3. Except as otherwise provided, this Rule shall be read in conjunction with the following Rules and Standards:
   a. Rule A1;
   b. Rule A3;
   c. Rule A4;
   d. Rule A10;
   e. Standard 003;
   f. Standard 012;
   g. Standard 013;
   h. Standard 014; and
   i. Standard 015

Definitions

4. In this Rule,
   a. "ABA Routing Number" means the nine-digit numeric identifier of a financial institution as assigned by the American Bankers Association or its agent;
b. "Bulk Exchange" means the delivery and receipt between Direct Clearers, at established Bulk Exchange points, of items acceptable for Bulk Exchange as set out in section 9 of this Rule;

c. "Bulk Exchange Point" means either a Regional Exchange Point at which all Direct Clearers have agreed to receive U.S. dollar paper Items; or the National Electronic Bulk Exchange Point;

d. "Bulk Settlement" means the electronic transfer of funds in U.S. dollars at New York, by each Direct Clearer, to each other Direct Clearer to whom settlement for U.S. Dollar Items are due, as set out in section 25 of this Rule;

e. "Exchange Agent" means a participating Direct Clearer which acts on behalf of a non-participating Direct Clearer, in the exchange of that non-participating Direct Clearer’s U.S. Dollar Items, but does not provide settlement;

f. "Point-of-Entry Office" means a branch, data centre, international centre or division of a Direct Clearer which receives cheques on deposit in U.S. funds from foreign correspondents;

g. "Qualified Item" means a U.S. Dollar Item which conforms with CPA Standard 006 and is MICR encoded at least as to transit number and amount;

h. "Settlement Agent" means a participating Direct Clearer which acts as an Exchange Agent for a non-participating Direct Clearer, and which is also responsible for providing settlement. (Refer to Appendix I of this Rule to identify those institutions which are acting as Settlement Agents);

i. "Unqualified Item" means a US Dollar Item which does not meet the Association’s standards and specifications for a Qualified Item;

j. "U.S.B.E." means United States Bulk Exchange; and

k. "U.S. Dollar Item" means an Item payable on demand in U.S. dollars drawn on a Member or on a U.S. office of a Member.
PART I – BULK EXCHANGE POINTS – COMPOSITION AND REPRESENTATION

Participation

5. With respect to participation in the Bulk Exchange of U.S. Dollar Items at the Bulk Exchange Points:
   a. each Direct Clearer shall elect to be either a participating or non-participating Direct Clearer at each Bulk Exchange Point;
   b. each non-participating Direct Clearer at a Bulk Exchange point shall arrange for a participating Direct Clearer to act as its Exchange Agent at that Bulk Exchange Point, in accordance with section 6 of this Rule; and
   c. each Direct Clearer shall give notice to the Association of its participation status in respect of each location. (A list of Bulk Exchange Points outlining the status of each Direct Clearer appears in Appendix I of this Rule.)

Exchange Agent and Liability of an Exchange Agent

6. With respect to Exchange Agent arrangements in the Bulk Exchange of U.S. Dollar Items at the Bulk Exchange Points:
   a. each Direct Clearer that has elected to be represented by an Exchange Agent shall appoint the same Exchange Agent at each Bulk Exchange Point where it does not represent itself;
   b. each financial institution that has elected to be represented by an Exchange Agent shall appoint the same institution as its Exchange Agent, that is acting as its Clearing Agent in the Canadian dollar exchanges;
   c. where an error or omission occurs in the clearing lists of a Direct Clearer, the Exchange Agent that is acting for that Direct Clearer shall not be held liable by the other participants.

Bulk Exchange Facilities for Items Drawn on Non-Participants and Waiver

7. a. Each non-participating Direct Clearer shall be entitled to an Outsort of its Items at each Bulk Exchange Point.
   b. Notwithstanding subsection (a), a participant and a non-participating Direct Clearer may jointly waive the Outsort of its Items. (Refer to Appendix I of this Rule for a list of arrangements.)
Notice of Agency Arrangement and Change in Agency Arrangement

8. With respect to an agency arrangement:
   a. each non-participating Direct Clearer shall give written notice to the Association of
      the Direct Clearer who is acting as its Exchange Agent and, where applicable, its
      Settlement Agent, and the locations involved, at least 30 days prior to the effective
      date; and
   b. where a Direct Clearer wishes to change its Exchange Agent or Settlement Agent
      that Direct Clearer shall give written notice to the Association and all other Direct
      Clearers in respect of this change, at least 30 days prior to the change.
   c. each Exchange Agent and Settlement Agent shall give written notice to the
      Association in respect of those institutions for which it is acting for, in addition to the
      locations involved, at least 30 days prior to the effective date. (Refer to Rule D4 for a
      list of agency arrangements.)
PART II – ITEMS ACCEPTABLE FOR BULK EXCHANGE

Items Acceptable for Bulk Exchange

9. Items acceptable for Bulk Exchange shall be those listed in Rule A1, Section 3 and subsection 4 (g) provided that those Items are payable on demand in U.S. funds, and that the Items are:

   a. drawn on a domestic office of a Direct Clearer or Indirect Clearer, or drawn on the Canada Post Corporation, and enfaced with "U.S. Currency", "U.S. dollars", "$U.S." or "USD"; or

   b. drawn on a domestic office of a Direct Clearer or Indirect Clearer that are enfaced "PAYABLE THROUGH" or "PAYABLE AT" a U.S. office of a Direct Clearer or Indirect Clearer; or

      Note: For purposes of the USBE, Items that are enfaced "PAYABLE THROUGH" or "PAYABLE AT" receive identical treatment.

   c. drawn on a U.S. office of a Direct Clearer or Indirect Clearer (refer Appendix IV for a comprehensive list of applicable ABA Routing Numbers); or

   d. that are drafts or money orders drawn by a Direct Clearer or Indirect Clearer, payable at a U.S. financial institution and exchanged pursuant to bi-lateral or multi-lateral agreements.
PART III – DISQUALIFYING CONDITIONS

Canadian Dollar Items

10. No Item payable in Canadian dollars and converted to the U.S. equivalent shall be introduced into the Bulk Exchange.

Items in Dispute

11. No Item in Dispute as described in Rule A6 shall be introduced into the Bulk Exchange.

Post-Dated Items

12. No Item that is post-dated shall be introduced into the Bulk Exchange.

Month-Dated Items

13. No Item not bearing the day of the month shall be introduced into the Bulk Exchange prior to the first business day of the month indicated on the Item.

Protest of Notice of Dishonour

14. No Item which bears a direction requiring protest or notice of dishonour shall be introduced into the Bulk Exchange.
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PART IV – PROCEDURES FOR PAPER ITEMS ACCEPTABLE FOR BULK EXCHANGE

Encoding

15. Each Member shall exercise reasonable effort to reduce to a minimum the number of Unqualified Items.

Transaction Code

16. a. Subject to subsection (b), all Items drawn on a US Dollar account held with a Member or US Dollar Items drawn on the Canada Post Corporation shall be encoded with a Transaction Code 45 as per Standard 0061.

b. Subsection (a) does not include:
   i. Items encoded with an ABA Routing Number;
   ii. Items pre-encoded with a transaction code; or
   iii. Paper Pre-Authorized Debits.

17. a. All machine-processable Items shall be MICR encoded as to amount prior to exchange at Bulk Exchange Points.

b. Delivering Direct Clearers shall also MICR encode other fields on Items as appropriate:
   i. Returned Item Carrier Envelopes (RICEs) (Refer to Rule A4);
   ii. Return Replacement Documents (RRDs) (Refer to Rule A10);
   iii. Pre-Authorized Debits (Refer to Rule H1);
   iv. Clearing Replacement Documents (CRDs) (Refer to Rule A10).

1 The following institutions are temporarily exempt from the requirement to encode transaction code 45 on U.S. Dollar Items: Fédération des caisses Desjardins du Québec (currently using transaction code 11) and its members, the Credit Union Central of Nova Scotia (currently using transaction code 90) and its members and the Central 1 Credit Union (currently using transaction code 644 and 6404) and its members. These institutions will work towards migrating to the new transaction code on a best efforts basis as soon as possible. This transaction code is included as a result of an amendment to Standard 006 “Standards and Specifications for Imageable MICR-Encoded Cheques” published January 6, 2005. Cheques are required to meet all the document design specifications outlined in Standard 006, including the inclusion of transaction code 45 on U.S. Dollar Paper Items, no later than June 30, 2007.
c. Where outgoing Items are all-field rejected (exclusive of the amount field) by automated processing equipment, delivering Direct Clearers shall not repair the Item.

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

Responsibility for Amount-Encoding Errors

18. The Member that initially MICR encodes the amount on an Item or that Exchanges an Item encoded by any third party shall be responsible for the difference provided the Item is returned within ninety (90) calendar days of receipt by the Drawee.

Extraneous Items

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

Correction of Encoding Errors

20. a. All MICR errors identified during processing shall be corrected before the Items are Exchanged.

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

Segregation into Streams

21. U.S. Dollar Items shall be prepared and segregated for each Direct Clearer according to the following streams (refer to Rule B2 for further information on the contents of each classification):

   a. Encoded (Qualified Items). (Refer to Rule A1). This stream may include Unqualified Items $50,000 and over.

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

      i. Items without Institution Number MICR Encoding or with obvious changes to the domicile;
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ii. mutilated Items, particularly where the bottom or right-hand edges are torn;
iii. unqualified returned and redirected Items;
iv. Items with attachments; and
v. adjusting entries.
c. Computer Rejects.
d. "I" – Images of paper based Items exchanged electronically using an ICP File as described in Rule A10.
e. "O" – Images of paper based Items exchanged electronically in the National Electronic Settlement Region using an ICP File as described in Rule A10.
f. "R" – Images of Returned Items exchanged electronically using an ICP File as described in Rule A10.
g. "S" – Image of Returned Items exchanged electronically in the National Electronic Settlement Region using an ICP File as described in Rule A10.

Exchange of Paper Items

22. With respect to the Exchange of U.S. Dollar Paper Items:
   a. All items shall be Exchanged by stream in separate bundles of not more than 300 Items, securely packaged to preserve the order of the Items.
   b. A totaled list of Items in the order of the contents, indicating the processing date and the delivering Direct Clearer, shall accompany each bundle.
   c. The original of a Cheque Clearing Log prepared in accordance with the ACSS/USBE User Guide or Rule B2 shall accompany each Exchange of bundles.
   d. A Direct Clearer receiving items in the "Large" stream, shall immediately verify the contents and total of the delivery and promptly advise the delivering Direct Clearer of any discrepancy.
   e. A receiving Direct Clearer shall advise the delivering Direct Clearer of any discrepancy between the bundles received and relevant Cheque Clearing Logs or supporting lists.

Microfilming/Imaging

23. Prior to the Exchange of Items, each Delivering Direct Clearer shall:
   a. microfilm or image all Items, and ensure that necessary controls are in place to maintain the quality and integrity of all microfilmed and imaged Items; or
b. when it has an equipment malfunction, make alternative arrangements with the receiving Direct Clearer.

Location and Time

24. At each Bulk Exchange Point, for the exchange of U.S. Dollar Items:
   a. each participating Direct Clearer, together with every other participating Direct Clearer, shall agree upon a central location and subject to subsection (b), agree upon a time; and
   b. the time shall be no later than 12:30 hours local time.

New York Settlement

25. With respect to the settlement of U.S. Dollar Items:
   a. subject to subsection (b) and (c), each Direct Clearer shall determine the net amount due to or from each other Direct Clearer, for its own Items and for Items of any non-participating Direct Clearer for which it is acting as Settlement Agent;
   b. each Direct Clearer shall use either the information provided by the USBE system or by preparing the National Summary USBE Report; (Refer to Rule K5, Appendix III.)
   c. each Direct Clearer with amounts owing to other Direct Clearers shall provide settlement in New York; and (Refer to Appendix III of this Rule.)
   d. this section shall apply to each non-participating Direct Clearer which has elected to appoint an Exchange Agent.

Method and Timing of Settlement

26. With respect to the method and the time of Settlement:
   a. Settlement shall be for value on the day of Exchange and provided for each exchange date; and
   b. each Exchange that takes place within Canada on New York bank holidays, Christmas Eve and New Year’s Eve, shall have their settlement value dated for the next business day in New York.

Failure to Settle, Recalculation and Default

27. a. Where it has been determined by a participating Direct Clearer(s) that Settlement has not occurred and will not occur in New York, the Direct Clearer failing to provide Settlement shall return to the participating Direct Clearer(s) from which
they were received all Items for which Settlement will not occur. These Items shall be returned free of entry.

b. Each of the affected Direct Clearers shall then recalculate the net amount due to or from the Direct Clearer failing to provide settlement, taking into consideration the Items returned by that Direct Clearer pursuant to subsection (a). Each affected Direct Clearer owing funds shall provide settlement as stipulated in section 26. Direct Clearers to which settlement is due shall have whatever means are at their disposal to recover the funds involved. Appendix V of this Rule illustrates the process just described.

c. Should the account in New York of the Direct Clearer failing to provide settlement be frozen as a result of the fact that this Direct Clearer is in Default in Canada (refer to Rule L1), any net amount due to the defaulting Direct Clearer pursuant to subsection (b) shall be forwarded to the liquidator or trustee.
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Errors in Balance

28. Each participating Direct Clearer shall balance the Items it receives and, where possible, give notice to the presenting Direct Clearer of any errors in time for the re-opening entries to be completed prior to final closing time of 14:45 hours Ottawa time; (Refer to Rule K4.)

Adjustments

29. Errors that are identified subsequent to the final closing time shall be adjusted following the procedures in Rule K4 and errors in value may be subject to interest claims in accordance with Rule K6.

Failure to Meet Deadlines

30. With respect to the Exchange and Settlement of U.S. Dollar Items at each Bulk Exchange Point:
   a. where a Direct Clearer has failed to give notice of its deliveries to any participant prior to the initial closing time, that Direct Clearer shall not be permitted to make deliveries on that day to any participating Direct Clearer that did not receive such notice.
   b. subject to subsection (c), where a Direct Clearer has failed to provide notice in respect of deliveries, it shall retain those deliveries until the next Exchange; and
   c. notwithstanding subsection (b), each participating Direct Clearer shall be present or be represented at the Bulk Exchange Point in order to receive deliveries from the other participating Direct Clearers, and shall provide settlement therefore.

Failure to Appear

31. With respect to a Direct Clearer that has failed to appear at any Bulk Exchange Point:
   a. at the exchange location within 15 minutes of the exchange time prescribed by the local RCA, that Direct Clearer shall not be provided with settlement for late deliveries for that day;
   b. subject to subsection (c), the deliveries shall be held by the Direct Clearer that has failed to appear until the following business day; and
   c. notwithstanding subsection (b), the Direct Clearer shall take delivery from and provide settlement to the other Direct Clearers.

Returned Items and Responsibility for Items

32. With respect to the return of U.S. Dollar items that are dishonoured:
a. where the Item is received by way of the USBE system, it shall only be returned through that system in accordance with this Rule and in accordance with the timeframes and procedures specified in Rule A4. For procedures for returning an item using an Image Printout, a Clearing Replacement Document, a Return Replacement Document, or an ICP File, refer to Rule A10.

b. an Item that is received in U.S. dollars shall be returned in U.S. dollars.

Point-of-Entry Office, Composition of the Stamp and Position of the Stamp

33. With respect to a Point-of-Entry Office:
   a. subject to subsections (b), (c) and (d) each Item that is received from outside Canada shall be enfaced with a Point-of-Entry stamp.
   
   b. the Point-of-Entry stamp shall:
      i. be composed of the "Point-of-Entry" title, the Association member name, the name of the city of the branch, centre or division domicile, the Member number, the branch 8 digit transit number and the date;
      ii. be rectangular in shape;
      iii. be legible; and
      iv. appear anywhere on the face of the Item except in the areas of the MICR band, the signature or the amount. (Refer to the example below)

   c. for the purposes of this Rule, notwithstanding subsection (a), a Point-of-Entry stamp shall not be deemed an endorsement and the fact that it is absent, is not in itself a valid reason to return an Item.
   
   d. A Point-of-Entry stamp is not required for Items exchanged electronically, in accordance with Rule A10.

Items in Dispute
34. Where a U.S. Dollar Item has been presented to and returned by the drawee Member, that Item may be declared to be an Item in dispute, in accordance with Rule A6.

Endorsements

35. For the purposes of Bulk Exchange, U.S. Dollar Items shall be subject to Rule A3.

USBE System Contingency

36. a. Where a regional or local USBE system is subject to a system failure whereby a Direct Clearer is unable to transmit its delivery data from its usual location or region prior to the initial closing time, that Direct Clearer shall migrate to an alternative location or region.

b. Where the Association has declared a national USBE system failure, each Direct Clearer shall proceed in accordance with Rule K5.

c. When the final closing time has been extended due to a national USBE system failure, each participant shall remain on the USBE system and acknowledge re-openings without the usual notice by way of telephone communication.

Contingency Situation

37. Where a Direct Clearer is unable to make deliveries during a contingency situation, that Direct Clearer shall nevertheless continue to accept deliveries and make settlement in accordance with section 26 of this Rule and Rules K4 and K5. Procedures for ICP Exchange contingency situations are outlined in Rule A10.

Record Retention

38. Where a Direct Clearer is deemed to be "down", all records in respect of a period during which that Direct Clearer has suffered a contingency situation shall be retained until that Direct Clearer has given notice that the records may be destroyed.

Tracing Clearing Errors and Use of Photocopies

39. Where applicable, Rule B10 shall apply to the Bulk Exchange procedures.
### APPENDIX I - BULK EXCHANGE POINTS FOR DIRECT CLEARERS

<table>
<thead>
<tr>
<th>Location</th>
<th>Participating Direct Clearers</th>
<th>Non-Participating Direct Clearers</th>
<th>Exchange Agent</th>
</tr>
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<th>Location</th>
<th>Participating Direct Clearers</th>
<th>Non-Participating Direct Clearers</th>
<th>Exchange Agent</th>
</tr>
</thead>
</table>
| Vancouver | Bank of Montreal  
Bank of Nova Scotia  
Royal Bank of Canada  
National Bank of Canada  
C.I.B.C.  
Toronto Dominion  
Laurentian Bank of Canada  
Alberta Treasury Branches  
Central 1 Credit Union  
HSBC Bank Canada | Fédération des caisses Desjardins du Québec | National Bank |
| Calgary | Bank of Montreal  
Bank of Nova Scotia  
C.I.B.C.  
National Bank of Canada  
Royal Bank of Canada  
Toronto Dominion  
Alberta Treasury Branches  
Laurentian Bank of Canada  
Central 1 Credit Union  
HSBC Bank Canada | Fédération des caisses Desjardins du Québec | National Bank |
## APPENDIX II - POINT-OF-ENTRY OFFICES

<table>
<thead>
<tr>
<th>Transit Number</th>
<th>Address</th>
<th>Telephone</th>
<th>Facsimile</th>
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<tbody>
<tr>
<td>001/31442</td>
<td>Bank of Montreal International Operations - Central, Toronto</td>
<td>416-867-6985</td>
<td>416-867-7161</td>
</tr>
<tr>
<td>001/24112</td>
<td>Bank of Montreal King and Yonge Sts., Toronto</td>
<td>416-867-5323</td>
<td>416-867-7320</td>
</tr>
<tr>
<td>001/27120</td>
<td>Bank of Montreal Chinatown Branch, Vancouver</td>
<td>604-665-7225</td>
<td>604-665-6603</td>
</tr>
<tr>
<td>001/00093</td>
<td>Bank of Montreal Halifax Main Office, Halifax</td>
<td>902-421-3698</td>
<td>902-421-3697</td>
</tr>
<tr>
<td>001/02074</td>
<td>Bank of Montreal Woodstock, New Brunswick</td>
<td>506-328-6631</td>
<td>506-328-9142</td>
</tr>
<tr>
<td>001/00182</td>
<td>Bank of Montreal Windsor Main Office, Windsor</td>
<td>519-973-3305</td>
<td>519-973-3344</td>
</tr>
<tr>
<td>001/05259</td>
<td>Bank of Montreal Lethbridge Main Office, Lethbridge</td>
<td>403-382-3200</td>
<td>403-382-3249</td>
</tr>
<tr>
<td>002/52712</td>
<td>The Bank of Nova Scotia International Banking Division, Toronto</td>
<td>416-866-6286</td>
<td>416-866-2092</td>
</tr>
<tr>
<td>002/71852</td>
<td>The Bank of Nova Scotia Windsor Branch, Windsor</td>
<td>519-973-5345</td>
<td>519-973-5336</td>
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<th>Facsimile</th>
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</thead>
<tbody>
<tr>
<td>003/09591</td>
<td>Royal Bank of Canada F.I. Account Services, Toronto</td>
<td>416-974-8861</td>
<td>416-974-7498</td>
</tr>
<tr>
<td>003/07172</td>
<td>Royal Bank of Canada F.I. Account Services, Toronto</td>
<td>416-974-8861</td>
<td>416-974-7498</td>
</tr>
<tr>
<td>004/00741</td>
<td>The Toronto-Dominion Bank International Trade Services and Correspondent Banking, Montreal</td>
<td>514-298-0184</td>
<td>514-289-1469</td>
</tr>
<tr>
<td>004/00732</td>
<td>The Toronto-Dominion Bank International Centre, Toronto</td>
<td>416-982-8202</td>
<td>416-982-5671</td>
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<tr>
<td>004/87829</td>
<td>The Toronto-Dominion Bank International Centre, Calgary</td>
<td>403-292-1338</td>
<td>403-292-1223</td>
</tr>
<tr>
<td>004/90300</td>
<td>The Toronto-Dominion Bank International Trade Services and Correspondent Banking, Vancouver</td>
<td>604-654-3426</td>
<td>604-654-3978</td>
</tr>
<tr>
<td>006/15041</td>
<td>National Bank of Canada International Banking Division, 500 Place d’Armes, Montreal</td>
<td>514-394-6112</td>
<td>514-394-8276</td>
</tr>
<tr>
<td>006/48091</td>
<td>National Bank of Canada Document Processing Centre 310 Front St., Ste. 401, Toronto</td>
<td>416-351-4102</td>
<td>416-351-4106</td>
</tr>
<tr>
<td>006/15851</td>
<td>National Bank of Canada International Department 555 Burrard Street, Vancouver</td>
<td>604-661-5522</td>
<td>604-661-5523</td>
</tr>
<tr>
<td>006/00031</td>
<td>National Bank of Canada 191 Lombard Avenue, Winnipeg</td>
<td>204-946-1665</td>
<td>204-946-1672</td>
</tr>
<tr>
<td>006/14051</td>
<td>National Bank of Canada 401, 8th Avenue South West, Calgary</td>
<td>403-294-4971</td>
<td>403-294-4942</td>
</tr>
<tr>
<td>010/09601</td>
<td>Canadian Imperial Bank of Commerce International Banking Centre, 1155 Dorchester Blvd., W., Montreal</td>
<td>514-876-8587</td>
<td>514-876-2189</td>
</tr>
<tr>
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<tr>
<td>010/09602</td>
<td>Canadian Imperial Bank of Commerce International Department, Atrium on Bay, Toronto</td>
<td>416-217-8607</td>
<td>416-217-8703</td>
</tr>
<tr>
<td>010/09600</td>
<td>Canadian Imperial Bank of Commerce International Banking Centre, Vancouver</td>
<td>604-665-2919</td>
<td>604-738-0510</td>
</tr>
<tr>
<td>010/00007</td>
<td>Canadian Imperial Bank of Commerce Main Branch, One Lombard Place, Box 814, Winnipeg</td>
<td>204-944-5217</td>
<td>204-944-2919</td>
</tr>
<tr>
<td>010/00182</td>
<td>Canadian Imperial Bank of Commerce Ouellette &amp; Riverside Branch, Windsor</td>
<td>519-977-7000</td>
<td>519-977-8714</td>
</tr>
<tr>
<td>010/99609</td>
<td>Canadian Imperial Bank of Commerce International Banking Centre, Calgary</td>
<td>403-221-5518</td>
<td>403-221-5511</td>
</tr>
<tr>
<td>016/10912</td>
<td>HSBC Bank Canada International Services, 5th Floor, 70 York Street, Toronto, Ontario M5J 1S9</td>
<td>416-868-8394</td>
<td>416-868-3819</td>
</tr>
<tr>
<td>016/10930</td>
<td>HSBC Bank Canada International Services, 5th Floor, 70 York Street, Toronto, Ontario M5J 1S9</td>
<td>416-868-8394</td>
<td>416-868-3819</td>
</tr>
<tr>
<td>039/09261</td>
<td>Laurentian Bank of Canada</td>
<td>514-284-4500 Ext. 7922</td>
<td>514-284-4075</td>
</tr>
</tbody>
</table>
### APPENDIX III - PARTICIPATING DIRECT CLEARERS SETTLEMENT AND ACCOUNT CODES

<table>
<thead>
<tr>
<th>Institution</th>
<th>ABA</th>
<th>UID</th>
<th>For the Account of</th>
<th>Payments Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Toronto-Dominion Bank</td>
<td>026009593</td>
<td>026336</td>
<td>TD International Centre, Toronto (Acc 6550-8-26336)</td>
<td>(416) 982-5036</td>
</tr>
<tr>
<td>The Bank of Nova Scotia</td>
<td>026002532</td>
<td>014628</td>
<td>The Bank of Nova Scotia, IBD, Toronto</td>
<td>(416) 866-6288</td>
</tr>
<tr>
<td>Canadian Imperial Bank of Commerce</td>
<td>026005092</td>
<td>015035</td>
<td>Canadian Imperial Bank of Commerce, Head Office, Toronto, (Acc. # 2000193542208)</td>
<td>(416) 217-8531</td>
</tr>
<tr>
<td>Fédération des caisses Desjardins du Québec, Montréal</td>
<td>021000018</td>
<td>238324</td>
<td>Fédération des caisses Desjardins du Québec (#890-0300-272)</td>
<td>(514) 281-7186</td>
</tr>
<tr>
<td>Banque Nationale du Canada</td>
<td>026009797</td>
<td>014897</td>
<td>National Bank of Canada, Montreal (Acc. #1001669)</td>
<td>(514) 394-6099</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>021000021</td>
<td>144293</td>
<td>Royal Bank of Canada Investment Banking &amp; Treasury Toronto, Ontario (A/C No. 001-1-153004)</td>
<td>(416) 842-4657</td>
</tr>
<tr>
<td>Institution</td>
<td>ABA</td>
<td>UID</td>
<td>For the Account of</td>
<td>Payments Contact</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>--------------------------</td>
<td>-------</td>
<td>----------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Banque Laurentienne du Canada</td>
<td>026005092 (Wachovia Bank N.A.)</td>
<td>027433</td>
<td>Laurentian Bank of Canada (Acc. # 20001935 43197) Attn: International Proof Department NJ 1848 420 Commerce Blvd Caristadt, NJ 07072 USA</td>
<td>(514) 284-4500 ext. 7924</td>
</tr>
<tr>
<td>Alberta Treasury Branches</td>
<td>026009593 (Bank of America N.A., NY)</td>
<td></td>
<td>ATB, Edmonton (Acc.#1233235276)</td>
<td>(780) 408-7095</td>
</tr>
<tr>
<td>Central 1 Credit Union</td>
<td>021001033 (Deutsche Bank Trust Company, NY)</td>
<td>055253</td>
<td>Central 1 Credit Union (Acc. #04459716)</td>
<td>(604) 737-5962</td>
</tr>
</tbody>
</table>

The participating Direct Clearers listed in this Appendix have undertaken to provide settlement in New York directly between each other. The above information is the minimum information required to ensure the correct destination of funds wired in settlement of U.S. Bulk Clearings.
### APPENDIX IV - ABA ROUTING NUMBERS OF ITEMS WHICH ARE DRAWN ON U.S. OFFICES OF CANADIAN DIRECT AND INDIRECT CLEARERS AND ARE ELIGIBLE FOR BULK EXCHANGE

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>ABA Routing Number(s)</th>
<th>Institution which Owns the Routing Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank of Nova Scotia</td>
<td>026002532, 123006130</td>
<td>The Bank of Nova Scotia</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>026004093</td>
<td>Royal Bank of Canada</td>
</tr>
<tr>
<td>The Toronto-Dominion Bank</td>
<td>026003243</td>
<td>The Toronto-Dominion Bank</td>
</tr>
<tr>
<td>Canadian Imperial Bank of Commerce</td>
<td>026002558</td>
<td>Canadian Imperial Bank of Commerce</td>
</tr>
</tbody>
</table>
APPENDIX V - EXAMPLE OF A FAILURE TO SETTLE

Note: The following scenario is based on a payments system in which there are seven USBE participants (A-G). Participant A fails to provide settlement due to other participants.

Original USBE deliveries
Items returned by A

B receives settlement (of value 25) from A.
Since settlement has occurred between A and B, A does not return items to B.

A receives settlement (of value 25) from C.
Since settlement has occurred between A and C, A does not return items to C.

D does not receive settlement from A, and A returns all of the items it received from D (of value 200).

E does not receive settlement from A, and A returns items of value 150 to E (i.e., A is not able to return all of the items it received from E).

F does not receive settlement from A, and A returns items of value 125 to F.
EXAMPLE OF A FAILURE TO SETTLE (CONT’D)

G does not receive settlement from A, and A returns items of value 100 to G.

\[
\begin{align*}
\text{75} & \quad \text{G does not receive settlement from A, and A returns items of value 100 to G.} \\
\text{A} & \quad \text{G} \\
\text{=} & \quad \text{=} \\
\text{200} & \quad \text{200} \\
\text{-----} & \quad \text{-----} \\
\text{100} & \quad \text{100}
\end{align*}
\]

Results:

No action is taken with respect to the exchanges between A and B and between A and C, as the items involved have been settled.

D is required to provide settlement to A for value 75:

\[
\begin{align*}
\text{Original delivery from A to D} & \quad \text{75} \\
\text{Less original delivery from D to A} & \quad \text{(200)} \\
\text{Plus items returned from A to D} & \quad \text{200} \\
\text{------} & \quad \text{------} \\
\text{75} & \quad \text{75}
\end{align*}
\]

E is required to provide settlement to A for value 25:

\[
\begin{align*}
\text{Original delivery from A to E} & \quad \text{75} \\
\text{Less original delivery from E to A} & \quad \text{(200)} \\
\text{Plus items returned from A to E} & \quad \text{150} \\
\text{------} & \quad \text{------} \\
\text{25} & \quad \text{25}
\end{align*}
\]

No settlement is due to F from A, nor to A from F:

\[
\begin{align*}
\text{Original delivery from A to F} & \quad \text{75} \\
\text{Less original delivery from F to A} & \quad \text{(200)} \\
\text{Plus items returned from A to F} & \quad \text{125} \\
\text{------} & \quad \text{------} \\
\text{0} & \quad \text{0}
\end{align*}
\]

G is owed settlement for value 25 from A, for which G has whatever means may be at its disposal to recover these funds:

\[
\begin{align*}
\text{Original delivery from A to G} & \quad \text{75} \\
\text{Less original delivery from G to A} & \quad \text{(200)} \\
\text{Plus items returned from A to G} & \quad \text{100} \\
\text{------} & \quad \text{------} \\
\text{25} & \quad \text{25}
\end{align*}
\]