

Global Payments and Cash Management

Electronic funds transfer– pre-authorized debit (pad) agreement package

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Pre-authorized Debit (PAD) Agreement Guidelines And Approval Process

The Canadian Payments Association (CPA) has included new mandatory elements for Pre-Authorized Debit (PAD) Agreements between you and your Payor.

As a result, all Businesses using Pre-Authorized Debits must make changes to their Payor's PAD Agreements to reflect new mandatory elements.

This guide provides you with instructions for submitting your revised Payor PAD Agreement to HSBC Bank Canada. If you have any questions, please contact your HSBC Relationship Manager who will be pleased to help.

Participant Enrolment and Authorization

The CPA develops and implements the rules which govern clearing and settlement of payments in Canada, including the Electronic Funds Transfer (EFT) service.

As the originator of the EFT payment, you are responsible for obtaining and retaining on file a completed PAD Agreement from each EFT participant prior to submitting debit instructions to HSBC Bank Canada.

All Payor PAD Agreements must contain mandatory elements as specified by the CPA in Appendix II of Rule H1 on www.cdnpay.ca. You are solely responsible for maintaining completed PAD agreements in accordance with the CPA requirements.

You have two options for modifying your PAD Agreements:

Option 1: HSBC PAD Agreement Template

HSBC provides PAD Agreement templates for your use. If you decide to utilize an HSBC template, please select Option 1 on the PAD Agreement Approval Form below to confirm that you will use the chosen HSBC PAD Agreement as is. No additional documentation will be required if you select this option.

Option 2: Customized PAD Agreements

You may choose to create your own Payor PAD Agreements according to your business' unique requirements. If you create your own Payor PAD Agreements, you must submit the following documentation to your HSBC Relationship Manager for approval:

1. Sample of your customized Payor PAD Agreement(s);
2. PAD Agreement Approval Form included in this package;
3. Customized PAD Agreement Checklist, included in this package.

Please complete the PAD Agreement Approval Form included on the next page and submit it to your HSBC Relationship Manager, along with any required documentation.

For more information, please visit www.hsbc.ca/pads or www.cdnpay.ca

Pre-Authorized Debit (PAD) Agreement Approval Form

Company Name _____

Contact Name _____

Contact Telephone Number _____

Please select one of the options below and submit this form to your HSBC Relationship Manager with supporting documentation, if required.

Option 1: HSBC PAD Agreement Template
No supporting documentation required

Option 2: Customized PAD Agreements
Please provide a sample of your PAD Agreement(s) and the Checklist included in this package.

Authorized Signature _____

Sample PERSONAL Pre-Authorized Debit (PAD) Agreement

To: _____ (the "Payee")

This Authorization is provided for the benefit of the Payee and our Financial Institution and is provided in consideration of our Financial Institution agreeing to process debits against our account in accordance with the Rules of the Canadian Payments Association (the "CPA Rules").

INSTRUCTIONS: Please complete all sections to instruct your Financial Institution to make payments directly from your account. Return the completed form with a blank cheque marked "VOID" to the Payee below.

1. Customer (Account Holder) Information (Please print clearly)		
Name:		
Mailing Address:		
City:	Province:	Postal Code:
Telephone Number:		

2. Bank Account Information		
Deposit Account Number:		Branch Transit Number:
Financial Institution Number:	Chequing Account:	Savings Account:
Financial Institution:	Name:	
	Branch Address:	

3. Pre-authorized Debit (Pad) Payee Details		
Company Name:		
Account Number:		
Mailing Address:		
City:	Province:	Postal Code
Telephone Number:	Fax:	
E-mail:		

Account Information: The account that the Payee is authorized to draw upon is indicated above. A specimen cheque available for this account as been marked "VOID" and is attached to this authorization.

Accuracy and Changes in Account Information: By signing this Authorization, we certify that all information contained in this form is accurate and we agree to inform the Payee, in writing, of any change in the information provided prior to the next due date of the PAD.

Valid Signing Authority: We warrant and guarantee that all persons whose signatures are required to sign on this account have signed this agreement below.

Authority To Debit Account: We hereby authorize the Payee to draw on our account indicated above with our Financial Institution, for the following purpose (e.g. Mortgage payments, utility payments)

Frequency and Amount Of Debits: A debit, in paper, electronic or other form in the amount of \$ _____ or a variable amount, with a reasonable latitude for adjustments and in no case to exceed \$ _____, may be drawn on our account _____ (frequency: Weekly/Monthly/Bi-monthly/sporadic) beginning _____. Annual top-ups or adjustments are/not permitted. If payments are sporadic, we agree to cooperate with the Payee to pre-authorize the processing of each and every PAD against our account whether authorized verbally or electronically, by use of a password, secret code or such other signature equivalent, as the parties shall agree to constitute valid authorization.

Validation by Processing Financial Institution: We acknowledge our Financial Institution is not required to verify that any purpose of payment for which a PAD was issued has been fulfilled by the Payee or that a PAD has been issued in accordance the particulars of our Authorization including, but not limited to, the amount, as a condition to honouring a PAD issued by the Payee on our account.

Recourse/Reimbursement: We have certain recourse rights if any debit does not comply with this agreement. For example, 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 our recourse rights, we may contact our Financial Institution or visit www.cdnpay.ca

Our Rights of Dispute: We may dispute a Pre-Authorized Debit in accordance with CPA Rules under the following conditions:

1. The PAD was not drawn in accordance with our Authorization; or
2. This Authorization was revoked.

In order to be reimbursed, we acknowledge that a declaration to the effect that either (1) or (2) took place, must be completed and presented to our branch of our Financial Institution up to and including 90 calendar days after the date on which the disputed PAD was posted to our account. We acknowledge that any claim made after 90 business days or for any reason other than the above, is a matter to be resolved solely between the Payee and ourselves.

Acceptance of Delivery of Authorization: We acknowledge that provision and delivery of this authorization to the Payee constitutes delivery by us to our Financial Institution. Any delivery of this Authorization to you constitutes delivery by us.

Cancellation of Arrangement: This Authorization may be cancelled at any time upon notice by us to the Payee at least _____ days prior to the PAD being issued. I/We may obtain a sample cancellation form, or further information on my/our right to cancel a PAD Agreement, at my/our financial institution or by visiting www.cdnpay.ca

Pre-Notification Waiver: We agree with the Payee to waive the requirement under the CPA Rules to receive a written pre-notification prior to each PAD as set out in the Rules.

Contract for Goods or Services: Revocation of this Authorization does not terminate any contract for goods or services that exists between the Payee and us. Our Authorization applies only to the method of payment and does not otherwise have any bearing on the contract for goods or services exchanged.

We understand and agree to this PAD arrangement and to the disclosure of any confidential information to any third parties as may be required to process the PAD in accordance with the CPA Rules.

Dated this _____ day of _____, 20____

Authorized Signatory

Name (please print)

Authorized Signatory

Name (please print)

Sample BUSINESS Pre-Authorized Debit (PAD) Agreement

To: _____ (the "Payee")

This Authorization is provided for the benefit of the Payee and our Financial Institution and is provided in consideration of our Financial Institution agreeing to process debits against our account in accordance with the Rules of the Canadian Payments Association (the "CPA Rules").

INSTRUCTIONS: Please complete all sections to instruct your Financial Institution to make payments directly from your account. Return the completed form with a blank cheque marked "VOID" to the Payee below.

1. Customer (Account Holder) Information (Please Print Clearly)			
Name:			
Mailing Address:			
City:	Province:	Postal Code:	
Telephone Number			

2. Bank Account Information		
Deposit Account Number:	Branch Transit Number:	
Financial Institution Number:	Chequing Account:	Savings Account:
Financial Institution:	Name:	
Branch Address:		

3. Pre-authorized Debit (Pad) Payee Details		
Company Name:		
Account Number:		
Mailing Address:		
City:	Province:	Postal Code
Telephone Number:	Fax:	
E-mail:		

Account Information: The account that the Payee is authorized to draw upon is indicated above. A specimen cheque available for this account as been marked "VOID" and is attached to this authorization.

Accuracy and Changes in Account Information: By signing this Authorization, we certify that all information contained in this form is accurate and we agree to inform the Payee, in writing, of any change in the information provided prior to the next due date of the PAD.

Valid Signing Authority: We warrant and guarantee that all persons whose signatures are required to sign on this account have signed this agreement below.

Authority To Debit Account: We hereby authorize the Payee to draw on our account indicated above with our Financial Institution, for the following purpose (e.g. supplies, lease payments)

Frequency and Amount Of Debits: A debit, in paper, electronic or other form in the amount of \$ _____ with a reasonable latitude for adjustments and in no case to exceed \$ _____, may be drawn on our account _____ (frequency: Weekly/Monthly/Bi-monthly/sporadic) beginning _____. Annual top-ups or adjustments are/not permitted. If payments are sporadic, we agree to cooperate with the Payee to pre-authorize the processing of each and every PAD against our account whether authorized verbally or electronically, by use of a password, secret code or such other signature equivalent, as the parties shall agree to constitute valid authorization.

Validation by Processing Financial Institution: We acknowledge our Financial Institution is not required to verify that any purpose of payment for which a PAD was issued has been fulfilled by the Payee or that a PAD has been issued in accordance the particulars of our Authorization including, but not limited to, the amount, as a condition to honouring a PAD issued by the Payee on our account.

Recourse/Reimbursement: We have certain recourse rights if any debit does not comply with this agreement. For example, 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 our recourse rights, we may contact our Financial Institution or visit www.cdnpay.ca

Our Rights of Dispute: We may dispute a Pre-Authorized Debit in accordance with CPA Rules under the following conditions:

1. The PAD was not drawn in accordance with our Authorization; or
2. This Authorization was revoked.

In order to be reimbursed, we acknowledge that a declaration to the effect that either (1) or (2) took place, must be completed and presented to our branch of our Financial Institution up to and including 10 calendar days after the date on which the disputed PAD was posted to our account. We acknowledge that any claim made after 10 business days or for any reason other than the above, is a matter to be resolved solely between the Payee and ourselves.

Acceptance of Delivery of Authorization: We acknowledge that provision and delivery of this authorization to the Payee constitutes delivery by us to our Financial Institution. Any delivery of this Authorization to you constitutes delivery by us.

Cancellation of Arrangement: This Authorization may be cancelled at any time upon notice by us to the Payee at least _____ days prior to the PAD being issued. I/We may obtain a sample cancellation form, or further information on my/our right to cancel a PAD Agreement, at my/our financial institution or by visiting www.cdnpay.ca

Pre-Notification Waiver: We agree with the Payee to waive the requirement under the CPA Rules to receive a written pre-notification prior to each PAD as set out in the Rules.

Contract for Goods or Services: Revocation of this Authorization does not terminate any contract for goods or services that exists between the Payee and us. Our Authorization applies only to the method of payment and does not otherwise have any bearing on the contract for goods or services exchanged.

We understand and agree to this PAD arrangement and to the disclosure of any confidential information to any third parties as may be required to process the PAD in accordance with the CPA Rules.

Dated this _____ day of _____, 20____

Authorized Signatory

Name (please print)

Authorized Signatory

Name (please print)

Customized Pre-Authorized Debit (PAD) Agreements Checklist

If you choose to create your own PAD Agreement, you must submit a sample with the following checklist to your HSBC Relationship Manager for approval. By ticking the box on the left, please indicate that you have included each Mandatory Element and the applicable Supplemental Elements as outlined below.

If you have any questions regarding the Mandatory Elements for all PAD Agreements, please refer to Appendix II of Rule H1 published on the Canadian Payments Association (CPA) website at www.cdnpay.ca

Mandatory Elements:

Mandatory Element	Description of Mandatory Element
<input type="checkbox"/> Date and Signature	A date field wherein the execution date of the Payor’s PAD Agreement can be recorded. For Paper Agreements, a signature field wherein the Payor can sign the Agreement.
<input type="checkbox"/> 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.
<input type="checkbox"/> 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.).
<input type="checkbox"/> 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.
<input type="checkbox"/> Cancellation of Agreement	A Payor’s PAD Agreement shall include cancellation information to the effect that the Payor may revoke their Authorization at any time, subject to providing notice (Payee shall set out the notice period which shall not exceed 30 days).

Mandatory Element	Description of Mandatory Element
	<p>A Payor's PAD Agreement shall also advise that the Payor may obtain a sample cancellation form (see page 13 of this guide) or further information on their right to cancel a PAD Agreement, at their financial institution or by visiting www.cdnpay.ca.</p>
<input type="checkbox"/> Contact Information	<p>A Payor's PAD Agreement shall 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, obtain information or seek recourse with respect to any PAD issued by the Payee.</p>
<input type="checkbox"/> Recourse/ Reimbursement Statement	<p>Except for Fund Transfer PADs coded "650" or "83", each Payor's PAD Agreement must contain the following statement in its entirety:</p> <p><i>"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.cdnpay.ca."</i></p>

Supplementary Elements (not limited to the following):

Supplemental Element	Description of Supplemental Element
<input type="checkbox"/> Pre-notification	<p>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 Prenotification in the manner and at the time(s) set out in Rule H1.</p>
<input type="checkbox"/> Waiver/Modification of Pre-notification/ Confirmation periods	<p>A Payor's PAD Agreement that provides for Personal PADs or Business PADs to be issued at Set Intervals may permit the Payor and Payee to mutually waive Pre-notification 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 prenotification periods must be prominently displayed (e.g. bold, highlighted or underlined).</p>

Supplemental Element	Description of Supplemental Element
<input type="checkbox"/> Sporadic PADs	<p>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.</p>
<input type="checkbox"/> Validation by Processing Member	<p>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</p>
<input type="checkbox"/> Contract for Goods and Services	<p>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.</p>
<input type="checkbox"/> Payor's Rights of Dispute: Personal PADs, Business PADs and Funds Transfer PADs	<p>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 20(b) of Rule H1 subject to completing a Reimbursement Claim, may include language relating to how a claim for reimbursement may be made.</p>
<input type="checkbox"/> Change of Account Information	<p>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.</p>
<input type="checkbox"/> Notice of use of a Payment Service Provider	<p>Where a Payee intends to use a payment service provider to administer a PAD, the Payor's PAD Agreement shall include a statement that a third party will be administering the PAD and further set out the name of the third party administrator. Where a Payor's PAD Agreement is entered into by way of Electronic Agreement, the Confirmation shall include a statement that a third party will be administering the PAD and further set out the name of the third party administrator.</p>

Sample Cancellation Notice

TO: (Payee name) _____

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)

Where the Payor's account agreement requires the signature of two or more signing authorities, the signatures of all such person are required for the purposes of this Cancellation Notice.

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.

www.hsbc.ca

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