



GOVERNMENT OF NEWFOUNDLAND AND LABRADOR

PRE-AUTHORIZED DEBIT

Policies and Procedures

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1.0 Introduction

This document deals with the issues relating to the financial accounting and banking policies that are applicable to the cash receipting and accounting implications of pre-authorized debit (PAD).

The focus of these policies and procedures is on business PADs and personal PADs. A business PAD is used by organizations to pay other organizations for goods or services related to commercial activity. A personal PAD is used by consumers to pay companies or other organizations for goods or services. Business PADs and personal PADs are very similar in how they work, with minor differences noted throughout this document.

A list of relevant terms have been discussed in Appendix A.

A copy of the authorization forms for business and personal PADs is attached in Appendix B.

This policy is intended for all departments of the Government of Newfoundland and Labrador.

Where necessary, these policies provide reference to existing legislation, policies, procedures and directives.

2.0 General Policies and Accountability

2.1 Guidelines for Usage of Pre-authorized Debit

2.1.1 General

- a) Government utilizes the services of one main banker. Government has entered into an agreement with its main banker for the provision of Pre-authorized Debits (PAD).
- b) Government and the bank must follow all the rulings and regulations as laid out by the Canadian Payments Association (CPA) under Rule H1 - Pre-authorized Debits (PADs). CPA Rule H1 and the Payor Agreements are subject to change.
- c) Departments must obtain approval and funding from the Office of the Chief Information Officer (OCIO) before proceeding with the development of an electronic application (refer to the Electronic Commerce Policy and Guidelines) .
- d) To avail of PADs, a department must apply and receive approval from the Office of the Comptroller General. The set up of pre-authorized debit for the department will be coordinated through this Office. Departments are not authorized to enter into an agreement allowing acceptance of PAD.
- e) Departments are responsible for ensuring adequate controls and procedures are in place to safeguard government revenues based on their systems, as outlined in the Electronic Commerce Policy and Guidelines.
- f) A department must contact the Office of the Comptroller General to terminate or to effect revisions to the PAD service.
- g) To avail of PADs, a department is required to have an electronic application (i.e. web or otherwise) which will direct the PAD transaction information through ePayment Broker.
- h) One time PADs are not currently permissible by the CPA.
- i) PADs will be utilized for payments anticipated to be made on a regular basis, i.e. daily, weekly or monthly.

2.1.2 Banking

All transactions will be directed through government's main banker via ePayment Broker.

2.1.3 Billing

- a) Billing arrangements for the costs relating to pre-authorized debits will be made between the Office of the Comptroller General and government's bank in accordance with the current Banking Services Agreement. The banking costs associated with this agreement will be processed by the Office of the Comptroller General, but charged directly to departmental appropriations, based on the actual usage for the period.
- b) The costs for performing PADs will be invoiced by the bank in total, but separated by each departmental application using PAD. Each application will be considered a client and have a separate client number assigned (ID number). The fees charged are based on each client.

2.1.4 Document Management

- a) Departments are required to manage electronic data and the distribution and collection of the required Payor PAD Agreements from customers in accordance with CPA policy. The department will retain the PAD Agreements.
- b) All Payor PAD Agreements will be controlled by the department and must be made available upon the request of the Payor, the Payor's Financial Institution or the Office of the Comptroller General, within a reasonable time. (See Appendix B for samples of these forms. See Section 3.1.2 for further discussion).
- c) In accordance with the CPA Rule H1, a department is required to retain the original Payor's PAD Agreement while it is in effect and for at least 12 months thereafter. Any other authorizations or instructions received from the payor must be retained for a minimum of 12 months after the PADs to which they apply.
- d) As a requirement of the CPA, where a PAD is initiated via telephone, personal computer or electronic device, departments must store the instructions or data making up the authorization of the PAD transaction (i.e. transaction authorizing PAD through the web), as the case may be, for a minimum of 12 months. This information must be readily available upon request from the Financial Institution or the Office of the Comptroller General.
- e) The responsibilities of the department and of the Office of the Comptroller General for security of the information and in the transfer of information is discussed in the Electronic Commerce Policies and Guidelines.

2.2 Accountability

2.2.1 Responsibilities of the Office of the Comptroller General

2.2.1(a) Banking and Accounting

- i. The Office of the Comptroller General is responsible for all accounting and banking policies in relation to PADs.
- ii. The Office of the Comptroller General is responsible for the central accounting system of government, including the FMS, Portal and ePayment Broker. All payment processes, including PADs, must be established in consultation with this Office.
- iii. The Office of the Comptroller General is generally responsible for all contact with the bank, unless the Comptroller General prescribes otherwise in other policies and procedures.

2.2.1(b) File Details

- i. The method of file transfer has been determined by the Office of the Comptroller General. All information will be sent through the Internet using ePayment Broker.
- ii. The Office of the Comptroller General is responsible for determining the file layout. Departments must comply with this layout.

2.2.1(c) File Creation and Transmission

- i. Electronic payments utilizing PADs will be processed from the application to ePayment Broker and from ePayment Broker to the bank and to the portal database. Information is then sent from the portal to the Financial Management System (FMS). Each electronic application will have its own separate client ID number, with all funds processing done through government's banker. Electronic payments processed in batch format must be scheduled in order to pass the payment information from the front end electronic application to the FMS.
- ii. All payments are to be processed through the A/R Cash Payments Interface. Details on this process can be obtained from the Operational Management and Strategic Planning (OMSP) Division.

2.2.1(d) Ongoing Direction and Policy Changes

- i. Departments will be informed of policy and/or procedure changes by the Office of the

Comptroller General.

ii. Ongoing direction, training and support services will be provided by the Office of the Comptroller General, as required.

2.2.2 Responsibilities of the Departments

2.2.2(a) General

In addition to complying with these policies, departments must comply with all other related policies and procedures including Electronic Commerce Policies and Guidelines, Departmental AR User Guide, etc.

2.2.2(b) Accounting

Departments are responsible to account for all revenues for their particular electronic application and to reconcile revenues, receivables and receipts, as per the Departmental AR User Guide.

2.2.2(c) Information Requirements

Departments are responsible for the accuracy and completeness of all information provided to the bank.

2.2.2(d) Timing of EFT Transfers by Client

Departments are responsible for sending the proper file containing their PAD transactions to ePayment Broker in the specified times (i.e. daily) within the specified time lines as designated by the Office of the Comptroller General. All departments will have their deposits credited into bank accounts designated by the Office of the Comptroller General.

2.2.2(e) File Layout

Departments must conform to the file layout as per the ePayment Technical document.

3.0 Procedures

3.1 Application and Set Up

3.1.1 Submission Process

After obtaining funding and authority from the Office of the Chief Information Officer (OCIO) (through budget appropriation) as required by the Electronic Commerce Policies and Guidelines, the Deputy Minister of the department must make a submission to the Office of the Comptroller General for approval to permit the use of PADs within the process outlined. (This does not preclude the department from obtaining reasonable assurance of approval from the Comptroller General prior to submitting a request for funding to the OCIO.)

- a) The requirements of this submission include:
- The goals/objectives of providing this service (i.e., service quality, cost savings, reduction of bad debt);
 - The specific location(s) or revenue-collecting area(s) of operation in which the service is being requested;
 - The types of revenues (including accounting distributions) received at each location or revenue-collecting area of operations, including the expected total annual dollar amount, and total annual number of transactions;
 - A financial cost/benefit analysis that illustrates how the cost of the service will benefit the department, as well as any qualitative factors that should be considered; and
 - Identification of the appropriation account to be charged for banking costs.

Prior to finalizing the evaluation, departments may be contacted to discuss matters relating to the submission that may require further clarification or elaboration.

- b) Once the Office of the Comptroller General has authorized a submission, a TBA will be issued. The department will be notified of approval in writing. If authorization is not granted, departments will be notified in writing of the decision and why the request was rejected.

3.1.2 Banking Requirements for Setup

- a) The Comptroller General of Finance has signed an agreement on behalf of government which sets out terms and conditions of PADs, which have been incorporated into the

policies and procedures in this Pre-authorized Debit Policies and Procedures manual.

- b) A copy of the two types of Payor's PAD Agreements is located in Appendix B. If the department is proposing changes to these forms, it must submit them to the Office of the Comptroller General for review by the bank. The bank will confirm whether or not the requirements of the CPA and the bank have been met in the revised agreements.
- c) Departments are responsible for obtaining the appropriate agreement from each account holder being debited (the Personally Approved Payments (PAP) "Payor's Authorization for Personal/Household Purposes" agreement is for personal PADs and the Corporate Payment Service (CPS) "Payor's Authorization for Business Purposes" is for business PADs). All relevant information must be keyed into the department's server (name, banking information, etc.).
- d) Before a PAD (business or personal) is activated, the department must have the customer complete the Payor's PAD Agreement. This will authorize government to debit the customer's account. Departments must obtain the actual signature from the customer. Electronic signatures will not be accepted at this time.

The Agreement will set out the timing for the PAD which will occur at set intervals and set out whether the PAD is for a fixed or variable amount.

- i. Where the Agreement provides for a **fixed amount at set intervals**, the department is required to give written notice to the customer of the amount to be debited and the date(s), at least 10 calendar days before the due date of the first PAD or before an annual top-up or adjustment. This notice should be given every time there is a change in the amount, unless the Agreement includes a waiver of pre-notification clause. This waiver of pre-notification clause is incorporated in the PAD Agreements attached in Appendix B.
- ii. If the PAD Agreement provides for a **variable amount at set intervals**, the department is required to give written notice to the customer of the date and the amount of the debit, at least 10 calendar days before every PAD, unless the Agreement includes a waiver of pre-notification clause. This waiver of pre-notification clause is incorporated in the PAD Agreements attached in Appendix B.
- iii. For payments with a **sporadic frequency** (fixed or variable amounts), government is required by the CPA to obtain an authorization for each PAD prior to the debit to the customer's account. Because this process would be cumbersome, government will not accept PADs for this type of payment.
- iv. The PAD Agreement can provide for a change in amount to occur as a direct

action on the part of the customer (such as a telephone instruction) requesting the department to change the amount of a PAD. In this case, no pre-notification is required for changes in the amount of fixed or variable amount PADs recurring at set intervals.

- e) The customer must provide a blank cheque marked “VOID” to confirm the account details.
- f) The customer may cancel the PAD at any time upon providing written notice. This will be outlined in the customer’s Payor PAD Agreement. A customer is required to provide the department with a written notice at least 10 days before the PAD was to be issued.
- g) The customer must notify the department immediately of a change in account number, financial institution, etc.
- h) A customer has the right to dispute a PAD:
 - i) For a personal PAD, the customer has 90 calendar days from the date of the withdrawal to dispute the charge and request reimbursement of the charge from its financial institution.
 - ii) For business-related PADs, a customer has 90 days if there is no contract with government (i.e. if the contract had expired or been terminated). For other discrepancies, the customer has 10 days to dispute the debit.
- i) If a PAD is returned due to insufficient funds, it is government’s policy not to reissue the PAD, but to process the returned payment under its NSF cheque procedures.
- j) If for some reason a PAD has to be returned to the customer, departments should refer to government’s policy on refunds.

3.2 Responsibilities of the Department

3.2.1 Funds Transmission

- (a) The department is responsible for compiling the PAD transaction information and transmitting an electronic file daily (when required) to the Office of the Comptroller General (Refer to the Electronic Commerce Policies and Guidelines).
- (b) The department is responsible for meeting the daily cutoff for batch submission (see 3.3.2) (Refer to the Electronic Commerce Policies and Guidelines).

- (c) Where the PAD is customer driven, departments are to instruct their customers to submit funds on a timely basis (i.e. daily, where applicable). Departments may alter this restriction based on a valid cost/benefit review provided to the Office of the Comptroller General, if there is specific need. If advice is required, please contact the Public Accounts and Banking Section, Office of the Comptroller General.

3.2.2 Accounting and Balancing

- a) Departmental operational, accounting and balancing procedures are outlined in the AR User Guide and the Central Cashier's Office User Manual.
- b) The Central Cashier's Office will inform the department of any rejected or returned items for follow up and resolution by the department within 5 days.
- c) The monthly invoice for PADs will be received at the Office of the Comptroller General and will be forwarded to the department for verification. Departments are responsible for the verification of all invoices within 5 days, so that payments can be processed by the Office of the Comptroller General.

3.3 Responsibilities of the Office of the Comptroller General

3.3.1 Banking

Any necessary bank accounts will be established by Public Accounts and Banking Section, Office of the Comptroller General.

3.3.2 Funds Collection and Transmission

Once the departments have obtained authorization from their customers, the department creates a daily file for submission to the Office of the Comptroller General. The Office of the Comptroller General is responsible for creating a file of payments (batch) from the information transmitted by each department. These batches form part of the data that is transmitted to the bank.

The daily cutoff for departments for submission to the Office of the Comptroller General will be 11:30 a.m. This will allow time for batches to be created from the department's submissions. The Office of the Comptroller General is responsible for sending this input file containing payment details to the bank by file transfer within specified lead times.

3.3.3 Funds Receipting and Depositing

- (a) Once the file is initially transmitted to the bank, the bank conducts an edit of the input file, and within one hour produces a report verifying detail of the file received and any

errors that may have been detected.

- (b) The net amount of the deposit (original amount transmitted less any initial rejected payments) is automatically deposited to the bank account designated by the Office of the Comptroller General.
- (c) Any transaction rejected due to insufficient funds, incorrect account number, etc., will be redirected through a separate account designated for returned items (refer to the NSF cheque procedures in the Central Cashier's Office User Manual).

3.3.4 Accounting and Balancing

- (a) The Central Cashier's Office is responsible for the reconciliation between the bank and FMS. Adjustments will be required in FMS for any transactions rejected during the initial edit check and any items returned NSF, incorrect account number, etc.
- (b) The Central Cashier's Office is responsible for informing departments of any rejected or returned items for followup and resolution by the department.
- (c) Details of the accounting procedures performed by the Central Cashier's Office are outlined in the Central Cashier's Office User Manual.

3.4 Reporting

Central Cashier's Office will have access to reports through the bank's Electronic Payment Manager (EPM) software. The Cashier's Office will receive the following reports on a daily basis.

- (a)Input Verification and Edit Report - This is a detailed report of rejected items in the initial file submitted to the bank and is available within one hour after the file is sent.
- (b).....Returned Items Report - This is a report of the returned items which can be generated daily for several days after sending a file. A returned item is displayed one business day after it is processed by the bank.
- (c) Several other standard reports are available through the EPM software.

Appendix A

Relevant Terms

Relevant Terms

Application

An electronic program (web based or otherwise) developed for a department specifically to be utilized with a service the department is providing. The application has a requirement to accept payment and processes financial transactions and records the transactions for future processing through to government financial systems.

Client

Each application will be considered a client by the bank and will be assigned a client number.

ePayment Broker

Government's central payment server which receives information direct from Departmental Virtual Storefronts and transmits applicable information to the banking service providers, as well as, to the ESD Financial Database.

Pre-Authorized Debit (PAD)

A PAD payment item issued by government that is drawn on a customer's bank account. Departments may avail of PADs only in certain circumstances and within stated processes as outlined in this manual.

Payor PAD Agreement

A continuing but revocable authority given in writing to government, signed by the customer, that authorizes government to issue a PAD against the customer's bank account. There are two types of Payor PAD Agreements to be used by government:

1. **Corporate Payments Service - Payor's Authorization**
This agreement is used for business PADs for government's business customers. (A business is defined by CPA as any commercial entity, including but not limited to, a corporation, partnership, sole proprietorship, franchise, association, government entity, venture or enterprise.)
2. **Payor's Authorization for Personal/Household Purposes**
This agreement is used for personal PADs for government's individual customers.

Appendix B
Payor PAD Agreements



OFFICE OF THE COMPTROLLER GENERAL

PAYOR'S AUTHORIZATION FOR PRE-AUTHORIZED DEBITS (PADs) FOR BUSINESS PURPOSES

1. Payor's Name and Address - please print

We warrant and represent that the following information is accurate.

Company Name		
Street		
Town	Postal Code	Telephone #

Name of Payor's Financial Institution (the " Processing Member ")		
Street		
Town	Postal Code	Telephone #

We have attached a specimen cheque marked "VOID" to this payor authorization (the **Authorization**).

We will inform the Payee, in writing, of any change in the information provided in this section of the Authorization 10 days prior to the next due date of the PAD.

2. Payee's Name and Address

Department of _____
Government of Newfoundland and Labrador
P.O. Box 8700
St. John's, NL A1B 4J6

3. We acknowledge that the Authorization is provided for the benefit of the Payee and the Processing Member, and is provided in consideration of the Processing Member agreeing to process debits against our account, as listed above (the "**Account**") in accordance with the Rules of the Canadian Payments Association.

4. We warrant and guarantee that all persons whose signatures are required to authorize

withdrawals from the Account have signed the Authorization and that all persons signing this Authorization are our signing officers and are empowered to enter into this agreement.

5. We hereby authorize the Payee to issue Pre-Authorized Debits (as defined in Canadian Payment Association (“CPA”) Rule H1) (the **PAD**) drawn on the Account, for the following purpose:

_____.

6. We may cancel the Authorization at any time upon providing written notice to the Payee. Government requires 10 days prior notice to allow for processing.
7. We acknowledge that provision and delivery of the Authorization to the Payee constitutes delivery by me/us to the Processing Member. Any delivery of the Authorization to the Payee, regardless of the method of delivery, constitutes delivery by us.

8. Unless otherwise agreed to in writing, the Payee will provide to us, at the address provided in Section 1:

1. with respect to fixed amount PADs, written notice of the amount to be debited (the “**Payment Amount**”) and the date(s) on which the Payment Amount debited will be posted to my/our Account (the “**Payment Date**”), at least ten(10) calendar days before the Payment Date of the first PAD, and such notice shall be provided every time there is a change in the Payment Amount or the Payment Date(s) unless such notice has been waived in accordance with CPA Rule H1; and
2. with respect to variable amount PADs, written notice of the Payment Amount and the Payment Date(s), at least ten (10) calendar days before the Payment Date of **every** PAD unless such notice has been waived in accordance with CPA Rule H1.

9. We, in agreement with the Payee, agree to waive the pre-notification requirement of section 8 above. We accept the waiver:_____.

(Company Name)

(Authorized Signature)

(Authorized Signature)

10. The Payee may issue a PAD _____ in a dollar amount up to a maximum of \$

_____.

(Insert frequency of debits)

11. We acknowledge that the Processing Member is not required to verify that a PAD has been issued in accordance with the particulars of the Authorization including, but not limited to, the amount, or that any purpose of payment for which the PAD was issued has been fulfilled by the Payee as a condition to honouring a PAD issued or caused to be issued by the Payee on the Account.
12. Revocation of the Authorization does not terminate any contract for goods or services that exists between us and the Payee. The Authorization applies only to the method of payment and does not otherwise have any bearing on the contract for goods or services exchanged.
13. We may dispute a PAD only under the following conditions:
 1. the PAD was not drawn in accordance with the Authorization;
 2. the Authorization was revoked: or
 3. pre-notification, as required under CPA Rule H1 subsection 14(a) or (b) was not received and such pre-notification was not waived in accordance with subsection 14(d).

We acknowledge that in order to be reimbursed, a declaration to the effect that either (1), (2) or (3) took place, must be completed and presented to the branch of the Processing Member holding the Account, up to and including ten (10) calendar days after the date on which the PAD in dispute was posted to the Account.

We acknowledge that when disputing any PAD beyond the time allowed in this section, it is a matter to be resolved solely between us and the Payee, outside the payments system.

14. We agree that the information contained in the Authorization may be disclosed to government's banker as required to complete any PAD transaction.
15. We understand and accept the terms of participating in this PAD plan.

Company Name

Authorized Signature

Authorized Signature

Date



OFFICE OF THE COMPTROLLER GENERAL

**PAYOR'S AUTHORIZATION FOR PRE-AUTHORIZED DEBITS (PADs)
 FOR PERSONAL USE**

1. Payor's Name and Address - please print

I/We warrant and represent that the following information is accurate.

Mr./Mrs./Ms./Miss	Surname	First Name
Street		
Town	Postal Code	Telephone #

Name of Payor's Financial Institution (the " Processing Member ")		
Street		
Town	Postal Code	Telephone #

I/We have attached a specimen cheque marked "VOID" to this payor authorization (the **Authorization**).

I/We will inform the Payee, in writing, of any change in the information provided in this section of the Authorization 10 days prior to the next due date of the PAD.

2. Payee's Name and Address

Department of _____
 Government of Newfoundland and Labrador
 P.O. Box 8700
 St. John's, NL A1B 4J6

3. I/We acknowledge that the Authorization is provided for the benefit of the Payee and the Processing Member, and is provided in consideration of the Processing Member agreeing to process debits against our account, as listed above (the "**Account**") in accordance with the Rules of the Canadian Payments Association.

4. I/We warrant and guarantee that all persons whose signatures are required to authorize withdrawals from the Account have signed the Authorization below.
5. I/We hereby authorize the Payee to issue Pre-Authorized Debits (as defined in Canadian Payment Association (“CPA”) Rule H1) (the **PAD**) drawn on the Account, for the following purpose:

_____.
6. I/We may cancel the Authorization at any time upon providing written notice to the Payee. Government requires 10 days prior notice to allow for processing.
7. I/We acknowledge that provision and delivery of the Authorization to the Payee constitutes delivery by me/us to the Processing Member. Any delivery of the Authorization to the Payee, regardless of the method of delivery, constitutes delivery by me/us.
8. Unless otherwise agreed to in writing, the Payee will provide to me/us, at the address provided in Section 1:
 1. with respect to fixed amount PADs, written notice of the amount to be debited (the “**Payment Amount**”) and the date(s) on which the Payment Amount debited will be posted to my/our Account (the “**Payment Date**”), at least ten(10) calendar days before the Payment Date of the first PAD, and such notice shall be provided every time there is a change in the Payment Amount or the Payment Date(s) unless such notice has been waived in accordance with CPA Rule H1; and
 2. with respect to variable amount PADs, written notice of the Payment Amount and the Payment Date(s), at least ten (10) calendar days before the Payment Date of **every** PAD unless such notice has been waived in accordance with CPA Rule H1.
9. We authorize a change in the amount of the PAD as a result of a direct action on our part (such as, but not limited to, a telephone call). No pre-notification is required.
10. The Payee may issue a PAD _____ in a dollar amount up to a maximum of \$ _____.

(Insert frequency of debits)
11. I/We acknowledge that the Processing Member is not required to verify that a PAD has been issued in accordance with the particulars of the Authorization including, but not limited to, the amount, or that any purpose of payment for which the PAD was issued has been fulfilled by the Payee as a condition to honouring a PAD issued or caused to be issued by the Payee on the Account.
12. Revocation of the Authorization does not terminate any contract for goods or services

that exists between me/us and the Payee. The Authorization applies only to the method of payment and does not otherwise have any bearing on the contract for goods or services exchanged.

13. I/We may dispute a PAD only under the following conditions:
1. the PAD was not drawn in accordance with the Authorization;
 2. the Authorization was revoked: or
 3. pre-notification, as required under CPA Rule H1 subsection 14(a) or (b) was not received and such pre-notification was not waived in accordance with subsection 14(d).

I/We acknowledge that in order to be reimbursed a declaration to the effect that either (1), (2) or (3) took place, must be completed and presented to the branch of the Processing Member holding the Account, up to and including ninety (90) calendar days after the date on which the PAD in dispute was posted to the Account.

I/We acknowledge that when disputing any PAD beyond the time allowed in this section, it is a matter to be resolved solely between me/us and the Payee, outside the payments system.

14. I/We agree that the information contained in the Authorization may be disclosed to government's banker as required to complete any PAD transaction.
15. I/We understand and accept the terms of participating in this PAD plan.

Authorized Signature

Authorized Signature

Date