

2002 (Revised 2013)
Jamaica Clearing Bankers Association

Automated Clearing House (ACH) — Rules

Section A – Paper Items

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Jamaica Clearing Bankers Association Automated Clearing House (ACH) — Rules

Section A – Paper Items

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The Jamaica Clearing Bankers Association (JCBA) acknowledges the National Automated Clearing House Association ACH Rules as a source and guiding document for the JCBA Automated Clearing House Rules.

THE AUTOMATED CLEARING HOUSE

The Automated Clearing House (ACH) has been established to facilitate the electronic clearing of payment items among banks operating in Jamaica on behalf of their customers. Settlement continues to take place on the books of the Bank of Jamaica.

The ACH currently processes cheques, direct debits and direct deposits. New instruments and new clearing processes such as cheque truncation which can eliminate physical presentation and speed up clearing and settlement, digital imaging, using cheques as the source of information to create an electronic payment at point of sale or point of deposit and electronic payment products will be added later.

Initially, the hold period for all banks was reduced and synchronized with a three-day recourse period. As a result, bank customers now receive 'good' funds within three (3) business days of a cheque deposit instead of the previous five (5) to seven (7) days.

The utilisation of the ACH in no way impinges upon, nor alters, the relationship between the bank and its customer.

RULES AND STANDARDS

These Rules are the product of the deliberations of the ACH Rules Committee, which comprises representatives from all the clearing banks, that is the commercial banks and the Bank of Jamaica. The Rules are divided into two main sections. Sections A and E govern paper items and electronic entries respectively. The Rules apply to all items, entries and entry data transmitted through the ACH and shall be construed in accordance with, and governed by, the laws of Jamaica. The clearing banks are required and are expected to understand and comply fully with these Rules.

It is envisaged that these Rules will be reviewed at least annually and revised where necessary. Members of the Jamaica Clearing Bankers Association (JCBA), which comprises the clearing banks and the ACH operator may also initiate amendments in accordance with the Procedures for Amending the Rules as prescribed herein.

In these Rules the singular includes the plural and vice versa, masculine includes feminine and vice versa. Headings and sub-headings are guides to reading but not aids to construction.

The cardinal rule of construction of documents applies. Accordingly these Rules should be construed so as to make them meaningful and not produce an absurdity.

A.1 Glossary of Terms Description**A**

| | |
|-------------------------------------|--|
| “ACH Operator” | “ACH Operator” is the central clearing facility operated by the clearing banks, to or from which Members transmit or receive items processed through the ACH. |
| “Association” | “Association” means the Jamaica Clearing Bankers Association (JCBA). |
| “Automated Payments Limited” | “Automated Payments Limited” or APL, is the company which operates the Automated Clearing House facility. APL is owned by the Members excluding the Bank of Jamaica. |
| B | |
| "Bank" | “Bank” means a member of the JCBA licensed under the Banking Act and for the purpose of clearing includes the Bank of Jamaica. |
| "Banking Day" | “Banking Day” means a day on which all participating banks are open to the public during any part of such day for carrying on banking business. |
| "Bank Draft" | “Bank Draft” means an unconditional payment instrument drawn by a Bank against its own account; |
| "Bill of Exchange" | “Bill of Exchange” has the meaning ascribed in the Bills of Exchange Act And shall carry such meaning as ascribed in that act as amended from time to time. As at the date of this rule it is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person or to bearer. |
| "Branch" | “Branch” includes any office, centre, or other organizational unit which carries on banking business on behalf of and in the name of the Member. |
| "Branch Number" | “Branch Number” means a five-digit number (including leading zeros) designated by a Member to identify a Branch. |
| “Business Day” | “Business Day” means a calendar day other than i) Saturday, ii) Sunday, iii) legal Holiday or iv) any other day as determined by the competent authority to be a public holiday or a day on which banks shall be closed to the public. |
| "By-Law" | “By-law” means a By-law of the Association. |
| C | |
| “Certified Item” | “Certified Item” means an Item on the face of which the Drawee has written or stamped the words "accepted" or "certified" or any other word or words to that effect. |

| A.1 Glossary of Terms | Description |
|-----------------------|--|
| "Cheque" | "Cheque" has the meaning ascribed in the Bills of Exchange Act and shall carry such meaning as ascribed in that Act as amended from time to time. As at the date of this rule, it is a Bill of Exchange drawn on a bank payable on demand. |
| "Cheque Clearing Log" | "Cheque Clearing Log" means a file, electronic or otherwise, recapping Payment Items exchanged between Direct Clearers. |
| "Clearing" | "Clearing" means the process of exchange of approved items/data and the calculation and reconciliation of the net amounts due to or by Members prior to settlement. |
| D | |
| "Data Centre" | "Data Centre" means the organizational unit designated by a Drawee to which its Items are directed. |
| "Direct Clearer" | "Direct Clearer" means a Member of the Association who maintains a settlement account at the Bank of Jamaica. |
| "Direct Presentation" | "Direct Presentation" is the direct delivery of an item to the Drawee Bank at its head office or at the branch on which the item is drawn and for which immediate value is received. |
| "Drawee" | "Drawee" means the Member or other institution to which a Payment Item is addressed, and which is directed to pay the amount of money therein mentioned. |
| "Drawer" | "Drawer" is a person, individual or corporate, that originates and issues an order directing the payment of an amount by way of a Payment Item. |
| E | |
| "Endorsement" | "Endorsement" means (a) a signature made by a holder of an Item on the Item when negotiating (transferring) it to another person, or (b) the stamp placed by a Bank on an Item for the purpose of clearing the Item. |
| G | |
| "General Manager" | "General Manager" means the General Manager of Automated Payments Limited or, in the absence or incapacity of the General Manager, the person or persons for the time being performing the duties of the General Manager. |
| I | |
| "Item" | "Item" means a Payment Item. |
| "Item in Dispute" | "Item in Dispute" means a Returned Item that is a dishonoured Payment Item that a Negotiating Bank believes was not returned in accordance with Rule A4. |

Section A – Paper Items**Rule A1 - Glossary of Terms****A.1 Glossary of Terms Description****M**

| | |
|---------------------------|---|
| “Manager’s Cheque” | “Manager’s Cheque” means a Payment Item issued by a Member and drawn on itself for the purpose of ordering a payment to be made to a payee. |
| "Member" | "Member" means any member of the Association. |
| “Member Number” | “Member Number” means a three digit number allocated by the <i>Association</i> that may be utilized for MICR encoding on cheques and other paper Items drawn on a Member. |
| "MICR" | "MICR" (magnetic ink character recognition) means the machine recognition of characters printed with ink containing particles of a magnetic material. |
| "MICR Encoding" | "MICR Encoding" means the application of magnetic ink characters to a Payment Item. |
| “Misdirected Item” | “Misdirected Item” means an Item or a carrier envelope, which is received by a Bank but not drawn on it; i.e. a wrongly delivered item. |
| "Money Order" | "Money Order" means a Payment Item issued by a Member and drawn on itself for the purpose of ordering a payment to be made to a payee. The Purchaser generally completes the Payee details of a Money Order. |

N

| | |
|---------------------------|--|
| “Negotiating Bank” | “Negotiating Bank” means the Member that presented the Item for payment through the Clearing. |
|---------------------------|--|

P

| | |
|--------------------------------|--|
| “Participating DFI” | “Participating DFI” is any Member of the JCBA sending or receiving items through the clearing. |
| “Payee” | “Payee” is the beneficiary named by the Drawer on the Payment Item. |
| "Payment Item" | "Payment Item" means any approved clearing item as provided under Rules A.2.1.3, A.2.1.4 and A.9.1. |
| “Point-of-Entry Office” | “Point-of-Entry Office” means a Branch, Data Centre, international centre or division of a Direct Clearer which receives cheques on deposit in Jamaican or U.S. funds or such other currency agreed by the Members from time to time from foreign correspondents. |
| “Postal Money Order” | “Postal Money Order” means a Payment Item issued by and drawn on postal authorities for the purpose of ordering a payment to be made to a payee. |
| “Post Dated Item” | A “Post-Dated Item” is one charged to, or settled by, the Paying Bank on a date sooner than the date of the Item. |

Section A – Paper Items**Rule A1 - Glossary of Terms****A.1 Glossary of Terms Description**

"Pre-Authorized Debit (PAD)" "Pre-Authorized Debit (PAD)" means a debit in paper, electronic, or other form, drawn on a specific account of a Drawer at a Member, initiated by the payee subject to the payer's authorization.

Q

"Qualified Item" "Qualified Item" means an Item which meets the Association's standards and specifications and is MICR encoded at least as to Transit Number, account number and amount.

R

"Recourse Period" "Recourse Period" means the period within which the Paying Bank must return an item to the Negotiating Bank, that is within 3 banking days, day one being the day of negotiation.

"Redirected Item" "Redirected Item" means an Item that is re-routed for the reason that an account has been transferred to another Branch within the same financial institution

"Remittance" "Remittance" means the portion of an Invoice that conforms to Part I of Rule A.2.1.3 (a), or the electronic data that is submitted to the Drawer's Financial Institution by the Drawer along with payment, and which itself becomes a credit item representing value when subsequently entered into the clearing by the Drawer's Financial Institution.

"Returned Item" "Returned Item" means a Payment Item received by the Drawee and subsequently returned unpaid through the Clearing.

"Returned Item Carrier Envelope" "Returned Item Carrier Envelope" means a transparent window envelope in which a Returned Item is enclosed for processing through the Clearing.

S

"Settlement Voucher" "Settlement Voucher" means a Payment Item issued by and drawn on a Member for the purpose of transferring funds to another Member.

T

"Transit Number" "Transit Number" means a 3 digit Member Number together with a 5-digit Branch number assigned by that Member.

U

A.1 Glossary of Terms Description

"Unqualified Item"

"Unqualified Item" means an Item which does not meet the Association's standards and specifications for a Qualified Item.

"U.S. Dollar Item"

"U.S. Dollar Item" is an instrument exchanged in the U.S. Dollar clearings and shall include the following Items as well as other such Items as agreed by the JCBA from time to time.

- (a) Drafts/cheques drawn by Members on overseas correspondents in continental U.S.A.
- (b) Drafts/cheques drawn by local account holders on Members in U.S. Dollars.
- (c) Drafts/cheques drawn by overseas banks on Members in U.S. Dollars.
- (d) U.S. Dollar cheques drawn on "Payable Through" accounts maintained with overseas correspondents by Members.

A.2 General Rules

A.2.1 Items Acceptable for Clearing

A.2.1.1 Introduction

This Rule outlines the general requirements with respect to Items acceptable for Clearing.

A.2.1.2 Criteria for Clearing Items

Only Payment Items specified in the Rules may be exchanged through the Clearing. Payment Items exchanged through the Clearing shall be payable on demand or otherwise conform to the Rules as to value date, be drawn on or payable through a Member and be endorsed or guaranteed as specified in the Rules.

A.2.1.3 ACH Threshold*

A value threshold may be imposed from time to time on items exchanged through the Clearing. Items above the threshold may be subject to charges.

A.2.1.4 Approved Classes of Clearing Items

The following classes of Items are approved for Clearing

- Paper based Payment Items including Cheques, Drafts, Settlement Vouchers, Money Orders, Manager's Cheques, Remittances, and any other paper-based Payment Items specified in the Rules;
- Payment Items recorded on magnetic media or compact disk and capable of being reproduced in alphanumeric characters on paper, microfilm or other permanent storage medium; and
- Payment Items transmitted in any other electronic message medium capable of being reproduced in alphanumeric characters by both the sending and receiving institutions on paper, microfilm or other permanent storage medium.

A.2.1.5 Items Eligible for Clearing

The following Items are specified as eligible for Clearing

1. Jamaican dollar Cheques drawn by a customer on an account maintained by that customer at a Branch of a Member where the decision to honour or dishonour rests with the Drawee;
2. Eligible Foreign Items as described in Rule A8
3. Electronic Payment Items as described in Section E of these Rules.
4. Inter Member Debits;
5. Money Orders, Bank Drafts, and Settlement Vouchers;
6. Postal Money Orders;
7. Pre-Authorized Debits and Payments;
8. Returned Items or Redirected Items as described in Rule A4 (Returned and Redirected Items);
9. Traveler's Cheques;
10. A copy of the original item certified by the negotiating bank. The negotiating bank undertakes to indemnify the paying bank in such circumstances.
11. Any other Items approved by the JCBA from time to time.

* *Effective May 20, 2013*

Section A – Paper Items

Rule A2 – General Rules

A.2.2 Disqualifying Conditions

A.2.2.1 Items in Dispute

No Item in Dispute (as described in Rule A5) shall be re-introduced into the Clearing.

A.2.2.2 Post-Dated Items

No Item that is post-dated shall be introduced into the Clearing.

A.2.2.3 Month-Dated Items

An Item not bearing the day of the month shall not be introduced into the Clearing prior to the first business day of the month indicated on the Item.

A.2.2.4 Conditional Statements

Where an Item bears a conditional statement, on its face or on the reverse, such condition shall not be binding on the Negotiating Bank.

For the purpose of this subsection, conditional statements include:

- I. "Void if over X\$"
- II. "Item expires on [a certain date]"
- III. "Not valid after [a certain date]"
- IV. "Not valid if presented for payment after X days following date of issuance"

A.2.2.5 Protest or Notice of Dishonour

No Item which bears a direction requiring protest or notice of dishonour shall be introduced into the Clearing.

A.2.3 Procedures For Jamaican Dollar Paper Items Acceptable For Clearing

A.2.3.1 Introduction

Each Member shall exercise reasonable effort to reduce to a minimum the number of Unqualified Items in the Clearing. For purposes of direct presentation, banks are required to formally advise the Members of the Jamaica Clearing Bankers Association (JCBA) of their principal office and of changes to the location of these offices.

A.2.3.2 MICR Encoding

All machine-processable Items shall be MICR encoded as to amount prior to exchange.

Where outgoing clearing Items are all-field rejected (exclusive of the amount field) by automated processing equipment, delivering Direct Clearers may repair the Item.

A.2.3.3 Responsibility for Encoding and Encoding Errors

- (a) Each presenting Bank shall, prior to presentation, enter in magnetic ink on the face of an Item the amount for which it is drawn, so that this information may be read by a computer.
- (b) In the event of an error in the making of this entry, the Bank making the erroneous entry shall indemnify and hold harmless the Bank on which it is drawn to the extent of the difference between the encoded amount entered on the face of the Item and the actual value of the Item, plus any interest income foregone or interest expense charged as a consequence of the error, from the date the instrument was debited to the drawer's account to the date of the settlement of the claim in accordance with the provisions of Rule A7. Any such Item should be settled by direct claim on the Bank making the erroneous entry and the claim must be made within twelve (12) months of the date of the erroneous entry. If the Negotiating Bank encodes a lesser amount than the actual value the issue of compensation does not arise.

A.2.3.4 Correction of Encoding Errors

All MICR errors identified during processing shall be corrected before the Item is exchanged.

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

Section A – Paper Items**Rule A2 – General Rules****A.2.3.5 Segregation into Streams**

Payment Items shall be prepared and segregated for each Direct Clearer according to the following streams.

- a) Encoded (Qualified Items).
- b) Unqualified. This stream includes paper Items, not suitable for processing on a MICR reader/sorter, particularly,
 - (i.) Items without institution number Encoding or with obvious changes to the bank or branch code;
 - (ii.) mutilated Items, particularly where the bottom or right-hand edges are torn or undecipherable.
 - (iii.) unqualified returned and redirected Items;
 - (iv.) adjusting entries.
 - (v.) Computer rejects.

A.2.3.6 Exchange of Items

1. All Items shall be exchanged by stream in separate bundles of not more than 250 Items, securely packaged to preserve the order of the Items;
2. A totaled list of Items in the order of the contents, indicating the processing date and the delivering Direct Clearer, shall accompany each bundle;
3. The receiving Direct Clearer shall immediately, verify the contents and total of the delivery and shall immediately, but no later than the next business day, advise the delivering Direct Clearer of any discrepancy between the bundles received and relevant cheque clearing logs or supporting lists.

Each presenting bank must ensure that paper items to be exchanged are balanced as to the number of items and the total dollar value, with the corresponding electronic file submitted through the ACH.

A.2.4 Microfilming

Prior to the exchange of Items, each delivering Direct Clearer shall:

1. Retain an image of all Items; or when it has an equipment malfunction, make alternative arrangements with each receiving Direct Clearer.

A.2.5 Unqualified Items*

Banks must make every effort to process items electronically. Unqualified items must not exceed 1% of the total items processed.

Where a member's unqualified items in any given month exceed 1%, or such lesser threshold agreed by the Members from time to time, the excess will attract a penalty determined as the lesser of:

- a) \$50 000 for each 25 basis point or part thereof above the 1% threshold
- and
- b) \$250 per item for each item in excess of the 1% threshold.

A.2.6 Payment of Penalties*

Penalties due to the Association shall be credited to the account of the Jamaica Clearing Bankers Association (JCBA).

* *Effective April 1, 2005*

A.3 Endorsement of Paper Items

A.3.1 Introduction

This Rule outlines procedures for the Endorsement of paper Payment Items acceptable for Clearing.

A.3.2 “Requirement to Endorse”

Each Member which is party to the Clearing of an Item, beginning with the Negotiating Bank and ending with the Drawee, shall endorse or otherwise place an identifying mark on the Item to facilitate tracing.

A payee's Endorsement is not a "necessary Endorsement" where a cheque is deposited to the credit of a person's account and that person is the same person as the named and intended payee on the cheque.

Items made payable to cash must be endorsed by the drawer.

A.3.3 “Guarantee of Endorsement”

Each paper Item delivered through the Clearing shall bear the Endorsement of the delivering Direct Clearer. Such Endorsement shall be deemed to guarantee the genuineness of all Endorsements or lack of Endorsement regardless of amount. The Negotiating Bank hereby indemnifies the paying bank against any claims that may arise with respect thereto, subject to the conditions that the guarantee implied by the crossing stamp shall be for a period of six years from the date of payment of the cheque and all claims must be made on the Negotiating Bank within that period.

The item must not be returned through the Clearing after the normal recourse period has expired.

A.3.4 Paper Pre-Authorized Debits

Each paper Pre-Authorized Debit shall bear a pre-printed Endorsement of both the payee and the Negotiating Bank. Where no date of negotiation appears as part of this Endorsement, the date of issue shall be deemed to be the date of negotiation.

A.3.5 Forms of Endorsement*

Endorsements, mechanical or otherwise must include the following:

- (i.) Member name and Branch domicile;
- (ii.) Date; and
- (iii.) Teller Number or unique reference number

A.3.6 Reader/Sorter

Where a reader/sorter is equipped to supply an Endorsement, this feature shall be utilized in respect of Items passing through the reader/sorter.

A.3.7 Placement of Endorsements

Guidelines for the placement of Endorsements are outlined in Appendices A1 and A2 which shall be deemed to form part of this Rule.

Note:

Bank Stamp to be affixed to documents (Appendices A1 and A2).

* *Effective May 20, 2013*

A.4 Returned and Redirected Items

A.4.1 Introduction

This Rule outlines procedures, timeframes and responsibilities whenever an item is exchanged through the Clearing for payment and payment is refused or cannot be obtained and where the Drawee returns or redirects the item through the Clearing.

Nothing in this Rule precludes a Drawee or a Negotiating Bank from exercising its rights and seeking recourse outside of the Clearing. Before taking such action however, the Drawee must exercise the options available under Rule A5 and/or Rule A6.

A.4.2 Scope

The procedures, timeframes and responsibilities set out in this Rule shall:

1. Apply to each Member, and shall limit the degree to which they can seek recourse from other members through the Clearing for Items which are either dishonored or otherwise not able to be processed by the Drawee;
2. Not apply to an Item presented at, and settled directly by, the Drawee bank unless the Item bears a forged endorsement, in which case section A.4.8 shall apply.

A.4.3 Reason for Return

Subject to the following exceptions, an Item may be returned through the Clearing by the Drawee if, for any valid reason, the Item cannot be paid.

A.4.4 Difference in Words and Figures

No Item shall be returned for the reason "words and figures differ" where the difference is less than one dollar (\$1).

A.4.5 Certification before Clearing

1. A Drawee may not return an Item that it certified before the Item was introduced into the Clearing, unless the Item is returned for the reason that an endorsement is forged, missing or incomplete or for the reason that the Item has been altered subsequent to certification or where the item has been fraudulently negotiated.
2. A Drawee may not return a Manager's Cheque properly prepared and disbursed, unless the Item is returned for the reason that an endorsement is forged, missing or incomplete or for the reason that the Item has been altered subsequent to issuance, where the item has been fraudulently negotiated, or any other legal bar.

A.4.6 Recall of Item Previously Returned

A Bank is under no obligation to honour a request to recall an item that was previously returned.

Section A – Paper Items

Rule A4 – Returned and Redirected Items

A.4.7 Time Limitation for Return

1. An Item that is received through the clearing that cannot be paid must be returned through the ACH or by Direct Presentation to the collecting bank. Direct Presentation of Returned Items must be made during banking hours of Members.
2. Subject to section A.4.5, each Item being returned through the Clearing shall be returned by the Drawee to the Negotiating Bank, as set out in section A.4.14, no later than the banking day following receipt by the Drawee.
3. The Negotiating Bank must deliver the Item to the Drawee no later than the banking day following negotiation of the Item.
4. Where a Returned Item contains a "forged signature", the Item shall be returned no later than the banking day following receipt by the Drawee.

A.4.8 Return for Forged Endorsement

In returning an Item with a forged endorsement, the Drawee shall provide the Negotiating Bank with a declaration, substantially in the form of Appendix A4 and signed by the Payee, that the Endorsement is a forgery.

A.4.9 Duplicate Items

Where both an original and its replacement have been paid, the second Item paid shall be returned, for the reason "Payment Stopped", together with supporting explanation of the reason for the return.

A.4.10 Redirected Items

Where a Drawee re-routes an Item due to the transfer of an account to another Branch, the timeframe for returns shall not be extended to accommodate this.

A.4.11 Re-Cleared Items

1. An Item or its photocopy equivalent which has been returned for any reason shall not be presented through the Clearing by the Negotiating Bank a second time, unless:
2. Authorized in writing by the Drawee (including by fax or by mail); or
3. The return is required pursuant to paragraph 3 of section A.4.15

A.4.12 Rights of Drawee Institution

Where the Negotiating Bank has introduced an Item into the Clearing a second time in contravention of section A.4.11, the following procedures shall apply:

1. the Drawee may obtain immediate reimbursement by debiting the Negotiating Bank and providing details of the Item to the Negotiating Bank and stating that the Negotiating Bank has contravened **Rule A4**;
2. the Drawee shall return the Item to the Negotiating Bank with a covering letter by bearer;
3. subject to paragraph (d), upon receipt of the Item, the Negotiating Bank shall not return the debit (i.e. send the Item through the Clearing a third time) without prior concurrence of the Drawee; and
4. nothing in this section precludes a Negotiating Bank from declaring the Item to be in dispute pursuant to **Rule A5**.

Section A – Paper Items**Rule A4 – Returned and Redirected Items****A.4.13 Claims against Drawee**

Where the Negotiating Bank considers that the Drawee did not return an Item in accordance with sections A.4.7 or A.4.8, it may declare the Item to be in dispute pursuant to Rule A5 and require the Drawee to reimburse it for:

- c) the amount of the Item; and
- d) Interest calculated in accordance with **Rule A7**.

A.4.14 Methods of Return

Each Item shall be returned according to the following method:

Returned Item Carrier Envelope: An Item may be inserted in a Returned Item Carrier Envelope which conforms to **Appendix A.3.6** and returned in the following manner:

- (a) Only one Item shall be enclosed in the Returned Item Carrier Envelope;
- (b) The Item shall be enclosed so that the face of the Item will show and be captured during imaging/microfilming operations;
- (c) The following information shall be indicated on a Returned Item Carrier Envelope:
 - 1. Returning institution's name and address;
 - 2. the date of return;
 - 3. drawer's account number;
 - 4. complete name and address of the Negotiating Bank
 - 5. reason for return; and
 - 6. complete name of the Payee as shown on the Item.

Exception: Where a Returned Item Carrier Envelope contains glue spots in accordance with Appendix A.3.6, the envelope shall, at a minimum, include items 1) to 5).

- (d) The Returned Item Carrier Envelope shall be encoded as to Transit Number, amount, and the Returned Item transaction code (in accordance with Standard 006).

A.4.15 Errors in Envelopes

1. Where an Item is missing from the Returned Item Carrier Envelope, but there is sufficient information *as determined by the Negotiating Bank* on the envelope to identify the Payee and the amount, the envelope shall **not** be returned by reason only of the omission. Tracing shall be initiated to obtain an original or a photocopy of the original Item.
2. Where the wrong Item is enclosed in the Returned Item Carrier Envelope, but there is sufficient information *as determined by the Negotiating Bank* on the envelope to identify the Payee or the account to be charged and the amount, the original envelope shall **not** be returned by reason only of the error. Tracing shall be initiated to obtain an original or a photocopy of the original Item. Both the incorrect Item and a photocopy of the Returned Item Carrier Envelope shall be returned outside of the Clearing to the address identified in paragraph 1.(c).1 of section A.4.14.
3. Where a Returned Item is missing from the Returned Item Carrier Envelope, or the wrong Item is enclosed in the Returned Item Carrier Envelope, and there is insufficient information on the envelope to identify the *account to be charged* (Payee), the envelope and the Item (if available) shall be returned *by the Negotiating Bank* to the address identified in paragraph 1.(c).1 of section A.4.14.
4. Where the Returned Item Carrier Envelope has been encoded for the wrong amount, refer to section A.4.23.

Section A – Paper Items

Rule A4 – Returned and Redirected Items

A.4.16 Routing of a Returned Item

Returned Items shall be routed in the following manner:

1. Where an Item bears a legible Branch Endorsement stamp of the Negotiating Bank (**refer to Rule A3**), it shall be addressed and returned to that Institution.
2. A Pre-Authorized Debit Item shall be treated in a manner similar to all other debit items.

A.4.17 Item Requiring Enforcement

1. Each Item returned for any reason shall bear across the face of the Item a clear indication of the reason for the return.
2. No Item returned for any reason, other than in those special circumstances outlined in sections A.4.20, A.4.21 and A.4.22, A.4.23 shall be cleared again.

A.4.18 Items Requiring "Payment Stopped" Enforcement

Each Item returned for the reason "Payment Stopped" shall be so enfaced by the Drawee.

A.4.19 Item Returned without Enforcement

Where an Item does not carry the required enforcement, the Negotiating Bank shall require *the Drawee* to apply the required stamp before returning the Item to the customer.

A.4.20 Items with Incomplete/Missing Endorsements

Subject to section A.3.3, where the Payee's endorsement is either missing or incomplete, the Drawee may require that the missing or incomplete Endorsement be obtained and the item shall be handled outside of the Clearing.

A.4.21 Misdirected Items

The following procedures apply to Misdirected Items:

1. each Misdirected Item shall be forwarded by the recipient to the sender using a Returned Item Carrier Envelope in accordance with section A.4.14, clearly indicating and supplementing with as much information as available; and
2. each Misdirected Item that is also a carrier envelope with an incorrectly encoded Transit Number shall be treated as an Unqualified Item.

A.4.22 Items Cleared in the Wrong Currency

If in addition to wrong currency, the Item is being returned for any other reason such as NSF or account closed; it shall be enfaced appropriately indicating that reason, in addition to the notation "incorrect currency".

A.4.23 Item Incorrectly Amount Encoded

An Item is deemed to be incorrectly amount encoded when the MICR encoded amount differs from the amount written in figures on the face of the Item.

1. Each item incorrectly MICR amount encoded for a difference of over **\$1.00** shall be returned to the Negotiating Bank. If an Item is returned for another reason such as stop payment or NSF in addition to "Item incorrectly amount-encoded", it shall be enfaced appropriately indicating that reason, in addition to the notation "Item incorrectly amount encoded".
2. No Item incorrectly MICR amount-encoded for a difference of **\$1.00** or less shall be returned for the reason "Item incorrectly amount-encoded".
3. The Direct Clearer which initially amount encoded the item shall indemnify and hold harmless the Bank on which the item is drawn to the extent of the difference between the encoded amount entered on the face of the Item and the actual value of the item plus any interest income foregone or interest expense charged as a consequence of the error from the date the instrument was debited to the drawer's account to the date of settlement of the claim, provided the error is detected within 12 months from the date that the item was first cleared.
4. Where the MICR encoded amount differs from the amount expressed in words on the face of an Item, but is identical to the amount written in figures, the Item shall be returned for the reason "words and figures differ" within the timeframes stipulated in section A.4.7 of these Rules.

A.4.24 Stale Dated Items

Each Item dated more than six months prior to presentment for payment may be returned unpaid for the reason "Stale Dated".

Note: Confirmation that such Items are still acceptable may be obtained by inquiry via fax or telephone, email or by sending the Item on collection.

A.4.25 Appendices

Appendices A3, and A4 shall be deemed to form part of this Rule.

A.5 Items in Dispute

A.5.1 Introduction

This Rule, without prejudice to Members' rights under Rule A6, outlines the procedures by which a Negotiating Institution may place an Item in dispute, and the means by which the dispute can be resolved.

A.5.2 Notice

A Negotiating Institution that disputes a Returned Item shall give notice in writing to the Drawee within 15 calendar days following receipt of the Returned Item. The notice shall state the reason for the dispute. Where such notice is given in accordance with this rule the parties to the dispute shall proceed to achieve resolution under this rule before proceeding to Arbitration unless otherwise agreed.

A.5.3 Item in Dispute

The Item in Dispute shall not be cleared back to the Drawee Bank but shall be held by the Negotiating Institution pending resolution of the dispute.

A.5.4 Acknowledgement

The Drawee Bank shall acknowledge in writing the notice of dispute within five Business Days of its receipt.

A.5.5 Failure to Resolve

Where the dispute cannot be resolved between the negotiating and paying banks, it may be referred to the Rules Committee for a determination of whether the rules have been correctly followed.

A.5.6 Arbitration

Where the foregoing procedures do not resolve the dispute, the parties may proceed to Arbitration pursuant to Rule A6.

A.5.7 Interest

A claim for loss of interest on float shall be calculated pursuant to Rule A7, except that interest shall be calculated from the date of return of the item.

Section A – Paper Items**Rule A6 – Arbitration****A.6 Arbitration****A.6.1 Definitions**

In this Rule the following words shall have the following meanings. All other words shall have the meanings otherwise ascribed to them in the Glossary of Terms at Rule A1 unless the context herein otherwise provides.

“Act” “Act” means the Arbitration Act.

“Arbitration” “Arbitration” has the same meaning ascribed to in the Act.

“Arbitration Panel” An “Arbitration Panel” may be constituted to rule on and settle disputes arising under these rules between Participating DFIs. “Arbitration Panel” means two natural persons technically knowledgeable in the matter in dispute or appointed respectively by the Claimant and the Respondent, and shall also include any umpire selected by two Arbitrators so appointed. No person appointed as an Arbitrator shall be an employee or an officer or the spouse of an employee or officer of a member nor a pensioner or the spouse or widow/widower of a pensioner nor shall an Arbitrator be interested in any matter in dispute.

“Award” “Award” means the written decision of the Arbitration Panel indicating its final determination of any dispute including its final decision on any aspect of a dispute.

“Claimant(s)” “Claimant(s)” means the member(s) alleging loss or damage (not being by way of counterclaim) or requesting the determination of any question under a reference to Arbitration in accordance with this Rule.

“Dispute” “Dispute” shall include questions relating to the interpretation of any contract or written agreement between the parties including as to the existence of such contract or agreement in relation to clearing or settlement of payment items.

“Reference

to Arbitration” “Reference to Arbitration” means the commencement of Arbitration proceedings as provided in this Rule. Any use of the word “reference” shall have the meaning consistent with the meaning herein.

“Respondent” “Respondent(s)” shall mean the member(s) named by the Claimant as the opposing party to a dispute or a member that may otherwise be adversely affected by an Award made in favour of the claimant.

“This Rule” “This Rule” shall mean Rule A6.

A.6.2 Introduction

This Rule outlines the procedures whereby questions and/or disputes between Members and which arise out of or touch and concern the Agreement between the Members relating to the clearing and settlement of payment items shall be referred to Arbitration and unless the context herein otherwise permits the Act shall apply. This rule applies equally to disputes involving paper as well as electronic items.

A.6.3 Indemnification of Arbitration Panel

Where they can be deemed to be acting in good faith the members of the Arbitration Panel shall have no liability whatsoever, whether for acts or omissions or with respect to any other matter, arising directly under an Arbitration. The parties to the Arbitration expressly agree to this and further expressly hereby agree to indemnify the parties to the dispute of the Arbitration Panel and each of them and save each of them harmless from any and all claims, which could arise in connection therewith.

Section A – Paper Items

Rule A6 – Arbitration

A.6.4 Procedure

Subject to the requirement that the Arbitration process be fair and efficient and that all relevant information be properly considered, Arbitration proceedings shall follow the procedures as set out hereunder.

Arbitration proceedings are deemed to have commenced on the date when either:

- e) A Claimant serves a Notice of Reference to Arbitration upon a Respondent(s) in the form of Appendix A or,
- f) The parties to any dispute have jointly signed a reference indicating their intention that the dispute be referred to Arbitration in accordance with the submission between the parties.

A Respondent shall serve on a Claimant a Response to the Notice of Reference to Arbitration within 14 days of the date of service of the Notice of Reference to Arbitration, exclusive of the date of such service in the form of Appendix B, failing which, the Claimant shall be entitled to apply to the Court for the appointment of a second Arbitrator and the costs of the application shall be borne by the Respondent on the conclusion of the Arbitration proceedings unless the Arbitrators shall otherwise award.

The endorsement of the Notice of Reference to Arbitration in the form of Appendix A or the jointly signed reference and the endorsement of any Response in the form of Appendix B shall state at the minimum the following particulars:

A statement of the claim made by the Claimant and/or a statement of the defence and counterclaim of the Respondent as the case may be;

A statement of the facts surrounding the claim, defence or counterclaim as the case may be;

Identification of the documentary evidence sought to be relied upon and where practicable copies of the documentary evidence should be appended to the Reference;

A statement of the dollar amount of damages or the relief sought;

Any other information or arguments that may be relevant; and in addition a jointly signed reference shall bear the particulars for service and the names and addresses of the Arbitrators appointed and such other particulars as are required in Appendix A and Appendix B.

Where substantially the same claim is to be made by two or more Claimants and or substantially the same defence is to be made by two or more Respondents the respective Claimants and Respondents shall where practicable endeavour to agree on the nomination/appointment of one Arbitrator as if they were one single Claimant or Respondent. In this regard the rules of the Supreme Court of Jamaica from time to time in force in relation to the joinder of parties shall be followed as far as possible.

Upon the appointment of the two Arbitrators the parties to a dispute or either of them shall forthwith cause copies of the documents served under this Rule to be provided to each Arbitrator respectively along with a copy of this Rule as amended from time to time.

Each party shall be entitled to be represented at an Arbitration by its Attorney(s)-at-Law and shall, subject to Rule A.6.5, be entitled to produce such evidence and call such witnesses as may be relevant.

The reference of a dispute to Arbitration shall not cause any abeyance or abatement of an obligation for the payment of interest in favour of a party who upon an Award made is obligated to make a payment to which interest was, by contract and including under these rules, payable until final payment of a principal sum.

The parties, subject to Rule A.6.5 along with the Arbitration Panel so appointed shall meet with dispatch to agree and set out the course of conduct of the arbitration proceedings. The costs, including interest foregone, consequent upon any delay in the proceedings shall be borne by the party causing the delay. In this regard the parties shall not be excused from this provision due to the absence of its Attorney-at-Law except on the majority decision of the Arbitrators.

Section A – Paper Items**Rule A6 – Arbitration****A.6.5 Arbitration Panel**

The Arbitration Panel shall regulate its proceedings in accordance with the Act and in accordance with the laws of evidence and such other laws as may be applicable in Jamaica subject to agreement of the parties to the dispute otherwise.

A.6.6 Conflicting Information and Assistance

Where the Arbitration Panel is unable to sufficiently reconcile any conflicting information provided by the parties, the Arbitration Panel may require further evidence from those parties.

The Arbitration Panel may also call on operational, legal or other expertise from the Association, Members or outside sources, and relevant fees shall be included in the costs of the Arbitration pursuant to Rule A.6.9.

Where the Arbitration Panel has obtained further evidence or information pursuant to Rule A.6.6 (a) and/or (b), or believes that its decision may depend on sections of the Rules that have not been cited by the parties, the Arbitration Panel shall give notice of such evidence, information or sections to the parties, who shall have an opportunity to challenge the evidence or information obtained by the Arbitration Panel or make responses to those sections.

A.6.7 Award

The Arbitration Panel shall make its Award based on the submissions put forward by the parties at the Arbitration hearing and any evidence or information obtained pursuant to Rule A.6.6. The Award shall be in accordance with the law and shall comply with and be consistent with any policies, guidelines and directions made or given by any competent authority.

The Award shall be the result of a majority vote.

Subject to Rule A.6.13, the decision of the Arbitration Panel shall be final and binding on the parties.

A.6.8 Order to Pay

The Arbitration Panel may order payment by one or more of the parties of the amount of the Item(s) in Dispute, any interest claimed and any costs allocated pursuant to Rule A.6.9. The Arbitration Panel shall not order the payment of any indirect, consequential, punitive or other damages. Subject to Rule A.6.13, this order shall be binding on the parties and payment shall be made within five business days after the Award is given to the parties notwithstanding an appeal.

A.6.9 Costs of Arbitration

The expenses incurred by *each party* shall be borne by *that party*. The fees and expenses of the Arbitration Panel, including those incurred pursuant to Rule A.6.6, shall be considered costs of the Arbitration and apportioned to the parties in such a manner as the Arbitration Panel considers equitable.

A.6.10 Time of Award

The Award shall be given to the parties no later than thirty days after the date on which the Arbitration Panel has determined that the Arbitration has come to an end.

A.6.11 Severability

Any provision in this Rule that is found to be contrary to law shall be severable from these rules and shall be replaced by such law in force in relation to the portion severed but such severance shall not otherwise invalidate this Rule.

A.6.12 Award Forming Precedent

The Award made hereunder and not overturned on Appeal, shall serve as a precedent to be considered in any future dispute and the resulting decision shall be recorded and filed with the Association, save that, where an Award is later found to be in conflict with the policies, guidelines or directions of a competent authority such Award shall be deemed to be reversed or amended in so far as necessary to achieve consistency with the policies, guidelines or directions of the competent authority.

A.6.13 Appeal

An Award may be:

Section A – Paper Items

Rule A6 – Arbitration

- a) appealed to a court of competent jurisdiction on the grounds of error of law or manifest error of fact within the time limited by any Rules of the Supreme Court for an appeal from a Civil decision of a Supreme Court Judge to the Court of Appeal.
- b) reconsidered by the Arbitration Panel, within 15 business days after a new fact, which would materially affect the outcome, has been discovered and notice thereof given to the Arbitration Panel.

A.6.14 Effect on Other Obligations

A reference to Arbitration shall not preclude the parties from their contractual obligations to each other except where the dispute necessarily requires that the obligation ceases until the determination of the Arbitration. For the avoidance of doubt where the dispute relates only to payment of a particular item then the reference to Arbitration shall not preclude the parties from making payment on any other item not the subject of the reference.

A.7 Inter-Member Interest Claims

A.7.1 Introduction

The following procedures are designed to assist Members in obtaining through mutual agreement, reasonable settlements of interest claims resulting from errors in clearing exchanges between members. The settlement of interest claims among Direct Clearers should be in a manner which as far as is practical removes the possibility of one Direct Clearer becoming unjustly enriched as a result of an error or omission on the part of another Direct Clearer, and be consistent with the need to improve the efficiency of operations and to minimise the administration involved.

A.7.2 Interest Calculations ♦

Interest will be determined by agreement between the parties and will be calculated in the following manner:

- a) The maximum interest rate shall be the higher of:
 - i. The normal rate from time to time applicable to the overdrafts of commercial banks with the Bank of Jamaica or;
 - ii. The interest payable by the bank to its customer as a result of the error or omission
- b) Interest shall be calculated on a 365-day basis.

A.7.3 Period

The period over which interest is payable shall be equal to the number of calendar days for which the funds were unavailable. This shall be deemed to be that period starting with the day when the entries were incorrectly settled or should have been settled through the Bank of Jamaica and ending with, but including the day prior to the settlement of the correcting entries through the Bank of Jamaica.

A.7.4 Amount of Claim

Individual interest claims under J\$500 are unauthorised except those with respect to items in dispute for which no minimum amount applies (see Rule A5).

A.7.5 Notice of Claim

Upon discovery or notification of an error, the Direct Clearer to which interest accrues will send a letter to the Direct Clearer from which interest is due enclosing supporting documentation and specifying the following information:

1. date and details of the transaction;
2. the account name of the beneficiary;
3. the number of days, the amount and the applicable rate of interest.

Notice of interest claims must be given within 12 months following the date of the transaction in question, except in cases of interest claims with respect to items in dispute for which no maximum period applies (see Rule A5).

♦ *Effective May 7, 2003*

A.8 Clearing of Foreign Items *

A.8.1 Eligible Items*

The instruments to be exchanged in the foreign clearings shall include the following items as well as other such items as agreed by the Association from time to time.

1. Drafts/cheques drawn by local banks in U.S. Dollar, Great Britain Pounds, Canadian Dollars or Euros on their account overseas or locally.
2. Drafts/cheques drawn by account holders in U.S. Dollars, Great Britain Pounds, Canadian Dollars or Euros on their accounts at local commercial banks.
3. U.S. Dollar cheques drawn on “Payable Through” accounts maintained by local commercial banks with overseas correspondents.

A.8.2 Exchange of Items

The above instruments shall not be processed through the ACH but shall be exchanged bi-laterally, with each Member being responsible for making individual settlements in the respective currencies with all other Members, as required.

A.8.3 Settlement of Net Claims of Foreign Currency*

The net claim against any bank will be settled by way of a wire/telegraphic transfer into the claiming bank’s account at an overseas correspondent bank as advised by the claiming bank, for value the next business day in the case of US\$ and within 2 business days for other currencies.

A.8.4 Identification of Negotiating Bank*

Each instrument to be exchanged shall bear the name and address of the negotiating bank distinctly affixed across its face, or on the reverse.

A.8.5 Responsibility for the Accuracy of Item Lists

The accuracy of the list of instruments presented shall be the responsibility of the negotiating bank and any errors shall be settled directly between the two (2) Members concerned on the same day or within a mutually agreed time.

A.8.6 Free Items

Items that are exchanged in the clearing but are not included in the lists or settlement totals shall be returned by the following business day to the delivering bank in a sealed envelope marked “Free Items.”

A.8.7 Reasons for Return

1. Instruments may be returned for the reasons stated in Appendix 5, and shall bear the reason for return written in recognized form either on the instrument itself or upon a slip of paper securely attached thereto.

* *Effective December 2005 and May 20, 2013*

Section A – Paper Items

Rule A8 – Clearing of Foreign Items

2. Where items received cannot be honoured, they must be returned to the principal office of the collecting bank within 2 business days after the exchange. Settlement of unpaid instruments returned by direct presentation shall be made by way of a wire/telegraphic transfer into the Member's correspondent bank account or such other method as is mutually agreed by the two (2) members concerned.

A.8.8 Direct Presentation*

A Member shall be at liberty to present during banking hours any instrument as per A.8.1 above, direct to another Member's paying branch for payment.

- a) For USD items:

If the presentation is made by 11:00 a.m., the paying bank shall be obliged to make same day settlement by way of a wire/telegraphic transfer to the negotiating bank's correspondent bank account in mainland U.S.A.

- b) For GBP, CAD and Euro items:

If the presentation is made by 11:00 a.m., the paying bank shall be obliged to make next day settlement by way of a wire/telegraphic transfer to the negotiating bank's correspondent bank account.

A.8.9 Endorsement of Items

All instruments must be endorsed by the payee, or on his behalf by the collecting bank. In addition, the crossing stamp of the collecting bank shall be understood to guarantee the genuineness of all endorsements regardless of amount.

A.8.10 Indemnities of the Collecting Bank

The collecting bank also indemnifies the paying bank against any claims that may arise with respect to and subject to the following conditions:

- a) That the guarantee implied by the crossing stamp shall be for a period of six (6) years from the date of payment of the instruments and that all claims must be made on the collecting bank within that period.
- b) That instruments payable to cash are not cheques and must be endorsed by the drawer.

A.8.11 Reporting to the Central Bank

Until these foreign items can be processed through the ACH, individual banks are required to provide weekly data to the Bank of Jamaica of the total volume and value of these transactions to allow consolidation of the statistics on items cleared.

* *Effective May 20, 2013*

Section A – Paper Items**Rule A9 – Extension of Recourse****A.9 Extension of Recourse****A.9.1 Introduction**

A request for an extension of recourse can only originate with the Paying Bank. This should only be done in exceptional circumstances where the Paying Bank is unable to return its in-clearing items within the normal recourse period due to circumstances outside the Bank's control. Inability to process due to inadequate resources, including staff shortages, and or other management issues are not considered as adequate reasons.

A.9.2 Request for Extension of Recourse ♦

A request for an extension of recourse may be considered in the following circumstances:

- a) Where a significant portion of the physical items delivered to the Paying Bank is subsequently lost due to extenuating circumstances (e.g. courier accident, missing/stolen bag etc.);
- b) Where in-clearing items are not processed on the day of receipt, due to significant "technical difficulties" such as:
 - I. Interruption of communication
 - II. Interruptions in computer facilities
 - III. Failure of equipment;
- c) Where in-clearing items are not processed on the day of receipt, due to emergency conditions affecting individual institutions and not the entire industry, such as:
 - I. Civil Unrest
 - II. Strikes
 - III. Natural Disaster
 - IV. Fires
- d) Where the Central Bank (Bank of Jamaica) directs or approves the closure of Banks as a result of "national events" such as election and wars.

The Bank must disclose the reason or circumstances giving rise to the request.

Outside of a Central Bank directive, the decision to extend recourse is entirely at the discretion of the Negotiating Bank(s).

♦ *Effective 03 March 2003*

A.10 Extended Processing Hours

A.10.1 Introduction

From time to time it may be necessary to extend the time that ACH Night settlement processing is conducted by the ACH Operator.

A.10.2 Schedule for Extended Processing Hours

At the beginning of each calendar year, the Bank of Jamaica will publish a schedule of dates on which extended processing hours will apply.

A.10.3 Extension Period

An extension of two hours over the normal ACH Settlement processing hours will normally apply.

A.11 Amendments to the Rules

A.11.1 Composition of The Rules Committee

The Rules Committee shall be comprised of not more than eleven persons appointed annually and constituted as follows:

- The Governor of the Bank of Jamaica (BOJ) shall appoint two persons to the Committee, one of whom shall act as the Chairman.
- A representative from each of the other Participating Depository Financial Institutions (DFIs).
- The General Manager of the Automated Payments Limited, the ACH Operator.
- A representative from the Jamaica Bankers Association (JBA).

A quorum shall be seven members of the Committee such that no less than 4 Participating DFIs (excluding BOJ) shall be represented.

A.11.2 Responsibility of The Rules Committee

The Rules Committee will vote on and approve amendments to these rules from time to time.

The Committee may prescribe penalties for the violation of the rules and it will also prescribe changes to the Procedures for the Amendment of the Rules.

A.11.3 Procedures for Amendment of The Rules

Any member of the Association may submit a request for an amendment of the rules to the Chairman of the Rules Committee who will convene a meeting to discuss and vote on the amendment.

Any amendment (including any addition to or repeal) of these rules may be made by the vote at a meeting of at least two thirds of the quorum of the Rules Committee. The proposed amendment shall be submitted to the members by mail, fax or e-mail at least 10 business days prior to the meeting. Each amendment shall become effective on the third business day following the vote relating to the amendment. Each member shall have one vote and the Chairman has the casting vote.

A.11.4 Temporary Adoption, Suspension of Implementation Date

The members of the Rules Committee may approve, suspend or change the implementation date of a rule if it determines such action is in the best interest of the Association and its members. Any action taken pursuant to this section shall remain effective until action on the rule approved, suspended or whose implementation date was changed is taken in accordance with the Procedures for Amendment of the Rules.

A.12 EXCHANGE OF CLEARING ITEMS

A.12.1 Right of Participation

Each member shall have the right to participate in the business of the Clearing House.

Each member will notify the Bank of Jamaica (BOJ) of the officers and their alternates who are authorised to attend the Clearing House.

A.12.2 Responsibilities of the Superintendent

1. The Clearing House business shall be conducted under the supervision of an officer appointed by the Bank of Jamaica as Clearing Superintendent.
2. The Superintendent may exercise discretion and waive the fine(s) indicated in Sections A.12.3, A.12.7 and A.12.8 under extenuating circumstances.
3. The Superintendent will maintain a record of performance in relation to each member's punctuality and attendance at the Clearing and advise the respective Operations Managers where performance is deemed unsatisfactory.

A.12.3 Exchange of Items

1. The business of the Clearing House shall be the exchange of cheques, drafts, clearing vouchers or acceptances, (denominated in local or foreign currencies) drawn upon or by any member, (to be referred to in these Rules as "Instruments").
2. Procedures governing the local clearing of foreign currency denominated instruments are set out in A.8. Additional Appendices may be developed, as agreed on from time to time by members, to govern the local clearing of other foreign currency denominated instruments.
3. Where items are not presented for exchange at the commencement of the Clearing Exchange a penalty charge of \$5,000.00 will apply.

A.12.4 Representatives

Authorized representatives of each member shall attend at the Clearing House each business day at the stipulated time.

All members are required to have representatives at the Clearing to receive cheques on them and to sign the relevant clearing vouchers.

A.12.5 Notification of Non-Attendance

In the event that a member is unable to attend the Clearing but has made arrangements for another member to collect cheques and sign vouchers, such arrangements should be communicated to the Superintendent at least 15 minutes before the start of the Clearing, and written confirmation of this must be presented to the Superintendent on arrival.

A.12.6 Late Notification

Late notification will attract a fine of \$5,000 or any other rate agreed on from time to time by members.

A.12.7 Late Arrival and Fees

A member arriving at the Clearing House after the stipulated start time is deemed to be late.

1. If a representative arrives 15 minutes late, the member bank concerned shall be liable to a fine of \$2,000.
2. Where a representative arrives more than 15 minutes late a flat fee of \$5,000 shall be payable.
3. In the interest of timely conclusion of the business of the Clearing House, the Superintendent reserves the right to deny admission to any member's representatives who arrive more than 15 minutes late and apply the fine.
4. Fines incurred will be debited by the BOJ to the Member's operating account.
5. Bank of Jamaica should notify members in writing of fines imposed.
6. Fines collected shall be credited to Jamaica Clearing Bankers Association account.

A.12.8 Non-Attendance

Where a Member does not attend the Clearing House a penalty charge of \$100,000 will be levied. The amount will be debited to the Member's operating account no later than the business day following.

A.12.9 Bank Identification

Each instrument to be exchanged shall bear the name and address of the presenting bank distinctly stamped across its face or on the reverse side.

A.12.10 Summary of Items Presented

Each member must provide a summary of items presented by compiling a list.

1. The list must bear the name of the presenting bank.
2. The lists of instruments shall be summarized according to currency and the summary stamped with the name of the presenting bank.
3. The accuracy of the lists is the responsibility of the presenting bank and any errors shall be settled directly between the two members concerned.

A.12.11 Receipt of Instruments

The receiving member shall regard instruments exchanged in the Clearing House as being held for account of the presenting member, until confirmation, evidenced by the settlement voucher is received by the Bank of Jamaica.

A.12.12 Settlement of Balances

After the exchange has been completed the Superintendent shall be informed by the member's representative of the total claims for and against each member and the resulting balance.

1. The balance, in respect of Jamaica Dollar denominated instruments, shall then be adjusted in the members' respective current accounts with the Bank of Jamaica that will act as the settling bank.
2. Settlement of foreign currency denominated balances shall be effected in accordance with Rule A.8.3.

A.12.13 Confirmation of Items Received

The representatives of each member shall immediately on return to their offices verify the listing with the accompanying instruments.

Any discrepancy will be notified to the presenting member and may be settled either directly between the members concerned on the same day or by a voucher at the Clearing Exchange on the following business day.

A.12.14 Free Items

Free items received from any member bank shall be returned to that bank in a sealed envelope so marked, by the following business day.

A.12.15 Confirmation of the Clearing Settlements

Confirmation of the clearing settlement agreed at the Clearing Exchange, are not to be altered after the adjournment of the Clearing House.

A.12.16 Lost or Destroyed Items

Where an instrument is lost or destroyed after confirmation of the clearing settlement, it shall be the duty of the presenting member to use its best endeavours to supply particulars of the instrument and to obtain a duplicate where necessary.

A.12.17 Returns

Instruments received at the Clearing Exchange that cannot be paid must be returned through the Clearing House or by direct presentation to the principal office of the collecting bank within three (3) business days after presentation at the Clearing House.

A.12.18 Direct Presentation

Any member shall be at liberty to present during banking hours any cheques, drafts or acceptances in any currency directly to another member's branch for payment.

1. Direct presentation of items must be made during banking hours of members.
2. Members should notify each other from time to time of changes in their banking hours.
3. Settlement of instruments by direct presentation shall be made by Manager's Cheque or electronic transfer (e.g. RTGS) to a member's account in the Bank of Jamaica.

A.12.19 Branches Notification

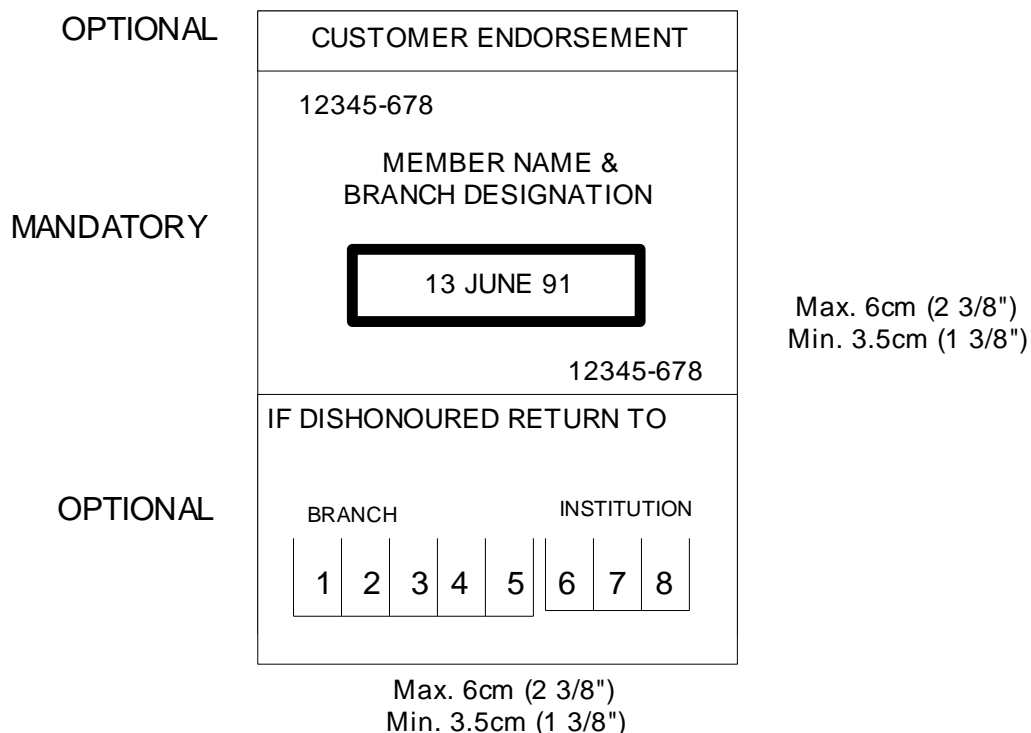
Each member is required to provide the other members with an updated list of the addresses of its branches.

A.12.20 Endorsements

Refer to Rule A.3

A.12.21 MICR Encoding

Refer to Rules A.2.3.2 and A .2.3.3.

Appendix A.1 Design for Manual Endorsement Stamp*Diagram not to scale*

| Item | Application | Description |
|------------------------------------|----------------------------|---|
| Sizes | Maximum Size: | 6 cm high x 6 cm wide, 2-3/8" high x 2-3/8" wide |
| | Minimum Size: | 3.5 cm high x 4.3 cm wide 1-3/8" high x 1-5/8" wide |
| Member Name and Branch Designation | Required: | The member name and branch designation must appear in the upper half of the stamp ⁴ |
| Date | Required: | The date should appear in an area located from the centre of the stamp down to no lower than 1/3 the distance up from the bottom of the stamp |
| | Recommended Format: | 2 Position Day (numeric) 4 Position Month (alpha) 2 Position Year (numeric) |
| Identification Number | Required: | The branch and institution number must appear twice, in the upper left and lower right hand corners of the stamp. |
| | Format: | 3 digit branch identification - hyphen 5 digit institution identification. Minimum 12 pt print size. |
| Teller Identification | Optional: | Teller identification, if utilized, must appear in opposite corners of the Endorsement stamp (upper left and lower right). It should be sufficiently distinctive so as not to be confused with either the date or institution number. |

Section A – Paper Items**Appendices**

| Item | Application | Description |
|----------------------|--------------------|--|
| Customer Endorsement | Optional: | If the customer Endorsement is to form part of the Negotiating Institution Endorsement stamp, it should appear above the Negotiating Institution Endorsement and should not be wider than the body of the stamp. |

Appendix A.2 Placement of Endorsements and Locator Numbers on Clearing Items

Appendix A.2.1 Introduction

Where an Item is passed through the Clearing from one Direct Clearer to another, the Item can be subject to numerous Endorsements including several handlings through high-speed equipment designed to automatically place both Endorsement and locator numbers on the reverse side of the Item as an aid for the return or the tracing of the Item. As such, the purpose of this Standard is to eliminate the possibility of one Direct Clearer's Endorsement or locator number being obscured in the subsequent handling by another institution. This applies to all information placed on the reverse side of any Item. The provisions should be adhered to in order to ensure minimum risks of overprinting.

Appendix A.2.2 Endorsement Zones

With respect to the areas of Endorsement:

1. Attachment A1 indicates three distinct zones on the reverse side of an Item for the purpose of Endorsement and tracing information as follows:
2. Negotiating institution Endorsement zone
3. Drawee institution Endorsement zone; and
4. Payee Endorsement zone.
 - (a.) Each Endorsement zone is divided into two tracks: Track A and Track B; and
 - (b) Attachment A2 indicates the position to be used when the length of a mechanically or electronically applied Endorsement is greater than the width of the appropriate zone and this applies to remittance processing systems.

Appendix A.2.3 Negotiating Branch/Customer

With respect to the negotiating branch/customer:

1. the branch identification is frequently included in a combined customer/institution Endorsement stamp, and as such, it should appear in Zone 3;
2. where an Item is stamped manually, tellers should be instructed to use the identified area in Zone 1, Track A; and
3. customers should be encouraged to use the signature line in Zone 3.

Appendix A.2.4 MICR Reader/Sorters

Most MICR reader/sorters place Endorsements on the reverse side of the Items within well-defined print positions as identified by a combination of the three zones and two print tracks and therefore:

1. Endorsements and locator numbers placed on Items by the first Direct Clearer shall be in Zone 1, Track B; and
2. subsequent Endorsements and locator numbers shall be placed in Zone 2, Track A or Track B or Zone 3.

Appendix A.2.5 Proof Machines

With regard to other types of equipment, such as, but not limited to, proof machines:

1. the equipment shall be reviewed in context with this section, however, where the Endorsements cannot be made to comply exactly with this section, the Endorsements should be adjusted to create the least amount of interference with other Endorsements placed or likely to be placed on an Item;
2. the use of Track A is recommended for Endorsements placed on Items by this type of equipment; and
3. long Endorsements which overlap more than one zone should be restricted to the position between Track A and Track B as much as possible.

Appendix A.2.6 Ink Colour

The standard colour of ink for Endorsements and locator numbers placed by MICR reader/sorter equipment shall be black; however, purple ink should be used for other types of mechanical or electronic Endorsements.

Appendix A.3 Procedures and Guidelines for Returned Item Carrier Envelopes

Appendix A.3.1 Introduction

This document sets out procedures and guidelines for Returned Item Carrier Envelopes (hereinafter referred to as "envelopes") used for the processing of dishonoured Items.

(Note: Many of these procedures and guidelines may also be applied to document carrier envelopes used for the processing of damaged and other documents not processable through high speed automated cheque processing equipment.)

Many of these procedures and guidelines are based on the Check Carrier Envelope Specifications developed by the Accredited Standards Committee (ASC) X9 of the American National Standards Institute (ANSI). Although these specifications have been adapted to the Jamaican environment, the ANSI terminology has been retained, wherever possible, to ensure consistency with ANSI documentation.

Appendix A.3.2 References

The envelopes described in this Appendix are also subject to JCBA Standard 006 "Standards and Specifications for MICR Encoded Documents".

Appendix A.3.3 Scope

This Appendix specifies the physical characteristics, dimensions and construction of envelopes.

Appendix A.3.4 Preamble

Envelopes reduce the need for manual processing. They are constructed to facilitate the handling of documents through high speed processing equipment.

Appendix A.3.5 Characteristics

1. Design

The face of the envelope shall be constructed of opaque bond paper which must meet the specifications defined in CPA Standard 006. The face of the envelope shall be printed with the information required for returning an Item as specified and provided by the purchasing institution. The back of the envelope shall be constructed of a translucent sheet meeting the specifications listed below.

Where envelopes contain glue spots (see below), the translucent sheet, when viewed from the face, shall be bonded to the opaque sheet along the right hand edge and along a line immediately above the band reserved for MICR encoding. The top and left-hand (non-leading) edges shall be open.

Where envelopes do not contain glue spots, the translucent sheet shall be bonded to the opaque sheet along the right and left hand edges and along a line immediately above the band reserved for MICR encoding. Only the top edge shall be open.

Section A – Paper Items**Appendices**

2. Envelope Size

All envelopes are to be rectangular in shape. The following minimum and maximum dimensions shall be adhered to:

| | Length | Depth |
|---------|----------------|--|
| Minimum | 16.25 cm (6½") | 7.5 cm (3_") |
| Maximum | 21.87 cm (8¾") | 10.8 cm (4¼") (MICR clear band included) |

3. Colour

While colour specifications are not defined for the opaque paper parts described above, a white or light pastel coloured stock is recommended in order to provide maximum legibility.

4. Translucent Sheet

The translucent sheet shall have a thickness (.002"), weight and strength which will allow for visual analysis, microfilming or image capture of a document while inside the envelope. The use of plastic is not recommended as the endorsement stamp may not adhere properly and may therefore smear or be obliterated as the carrier envelope is processed through a reader/sorter. Any material which has a propensity to increase static, shall not be used. The following minimum and maximum specifications shall be adhered to:

| | Minimum | Maximum |
|----------------------------|---------|---------|
| Basis weight (lb.) | 17.5 | 24 |
| Caliper (Mils) | .0012 | 2.50 |
| Cross Grain (G) | 14 | 20 |
| With Grain (G) | 15 | 22 |
| Smoothness (Sheffield) (U) | | 150/95 |
| Porosity Gurley (Sec) | | 2000 |
| Paper Terisile (lbs.) | | 20 |
| Opacity (%) | 37 | 65 |
| Brightness (%) | | 80.0 |
| Curl (%) | | 3 |
| Moisture (%) | 5.0 | 7.0 |

5. MICR Encoding

The Transaction Code section of the On-U's field on Returned Item Carrier Envelopes shall be encoded prior to clearing with the Returned Item transaction code (code 28).

Section A – Paper Items**Appendices****Appendix A.3.6 Construction**

Envelopes must be constructed such that they facilitate the handling of documents through automated cheque processing equipment

1. Seams

The seams of the envelope shall be bonded such that they are able to withstand multiple pass machine processing (minimum 10 passes with a 24-lb. cheque inserted). The bottom seam of the envelope shall not infringe upon the 1/2" clear band.

2. Glue Spots

(a) Use of Glue Spots

The purpose of glue spots is to ensure that an envelope will carry an Item through the Clearing without the Item becoming separated from the envelope.

(b) Specifications

Where glue spots are used, one spot shall be located in the middle of the envelope and two spots shall be located one above the other in the upper corner of the open side (the non-leading edge) approximately 1" apart and 1" from the edge. The following requirements shall be met with respect to the amount of glue contained on the glue spots:

- envelopes shall pass an "open and remove item" test at least three times;

- envelopes shall have a minimum of six months "shelf life";

- no residue shall remain on a document upon its removal from the envelope;

- the glue shall be applied to and be contained within the interior surfaces of the envelope; and

- the glue shall not excessively impede removal of the document or cause any damage to the document when it is removed.

1. Testing Procedures

(i.) Insert all cheque sizes.- ensure ease of handling;

(ii.) Examine "glue spots" and make sure they meet the specifications outlined in subsection 5.2(b) above;

(iii.) Encode the documents with transit, amount and Returned Item transaction code using an encoder that has been tested to ensure that it is encoding to CPA standards (i.e. no debossment, faint ink, etc., as poor encoding would be detrimental to testing). - observe MICR encoding for: quality, durability, and smearing.

(iv.) Subject the envelopes to a minimum of 10 passes through a reader/sorter - watch for: jams, double-feed defects, damage, any empty envelopes.

(v.) Examine any rejected items to determine cause.

(vi.) Examine reader/sorter endorsements - observe legibility or smearing.

(vii.) Examine microfilming - observe image quality.

Appendix A.4 Declaration Form – Declaration that the Endorsement of a Payment Item is a Forgery

I(We), _____ declare that, with
reference to the attached item in the amount of \$ _____ drawn on account number
_____ on _____ (Date) _____, and purporting to be endorsed by
me (us), I(we) did not endorse the item nor did I(we) authorize anyone to endorse the Item on my(our) behalf.

The endorsement is a forgery. I (We) became aware of this situation on
_____ (Date) _____,

Signed _____

(Date)

(Witness)

(Witness)

Appendix A.5 Notice of Reference to Arbitration

NOTICE OF REFERENCE TO ARBITRATION

(JCBA Rule A.6.4)

Reference No.: JCBA/ARBIT 1 of 200__

IN THE MATTER OF THE ARBITRATION ACT

AND

IN THE MATTER OF AN ARBITRATION

BETWEEN

CLAIMANT OF

AND

RESPONDENT OF

TO: (NAME AND ADDRESS OF RESPONDENT)

TAKE NOTICE that the Claimant hereby intends to have the following claim endorsed hereon referred to Arbitration in accordance with the Submission entered into between the Claimant and the Respondent on the day of 200__

ENDORSEMENT OF CLAIM

The Claimant has appointed (*intends to appoint*) _____ of _____ as one of the Arbitrators in the hearing of this matter.

The Respondent(s) shall within fourteen (14) days of the date of this notice serve upon the Claimant a copy of its response in the form of APPENDIX “B” failing which the Claimant shall be entitled to apply to the Court to have a second Arbitrator appointed with costs of such application being for the account of the Respondent.

Dated the _____ day of _____ 200__

Signed for and on behalf of Claimant

By

Attorney-at-Law for Claimant/Chief Executive Officer

SERVED the _____ day of _____ 200__

LODGED by Messrs. _____, Attorneys-at-Law of _____ Kingston, Attorneys-at-Law to the Claimant whose address for service is that of its said Attorneys-at-Law

Appendix A.6 Response to Notice of Reference to Arbitration

RESPONSE TO NOTICE OF REFERENCE TO ARBITRATION

(JCBA Rule A.6.4)

Reference No.: JCBA/ARBIT 1 of 200__

IN THE MATTER OF THE ARBITRATION ACT

AND

IN THE MATTER OF AN ARBITRATION

BETWEEN CLAIMANT OF

AND RESPONDENT OF

the Respondent joins issue with the claimant as endorsed below:

ENDORSEMENT OF RESPONSE

The Respondent has appointed or (*intends to appoint*) of as one of the Arbitrators in the hearing of this matter.

Dated the day of 200__

Signed for and on behalf of the Respondent by Attorney-at-Law for the

SERVED the day of 200__

LODGED by Messrs. , Attorneys-at-Law of Kingston, Attorneys-at-Law to the Respondent whose address for service is that of its said Attorney-at-Law. Respondent/Chief Executive Officer

Appendix A.7 Schedule of Penalties and Fines

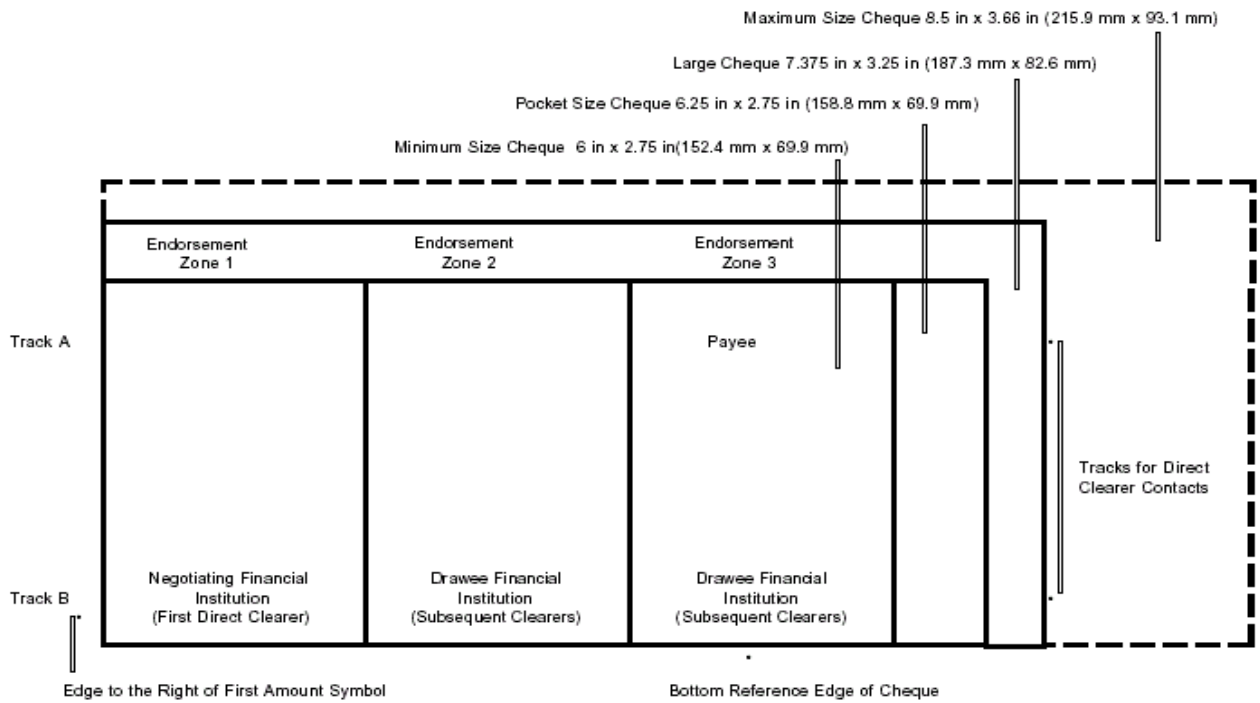
| Description | Fine* | Effective Date |
|---|--|----------------|
| The inclusion of incorrect or duplicated records in an ACH File | J\$ 250.00 per item The maximum payout with respect to a single offence is \$200,000. | 14 June 2004 |
| Late return or wrongful return of items through the Clearing | J\$ 1,000.00 per item | 14 June 2004 |

* Fines must be paid within seven (7) banking days of the claim.

Section A – Preparation of Clearings

Attachments

Attachment A.1.

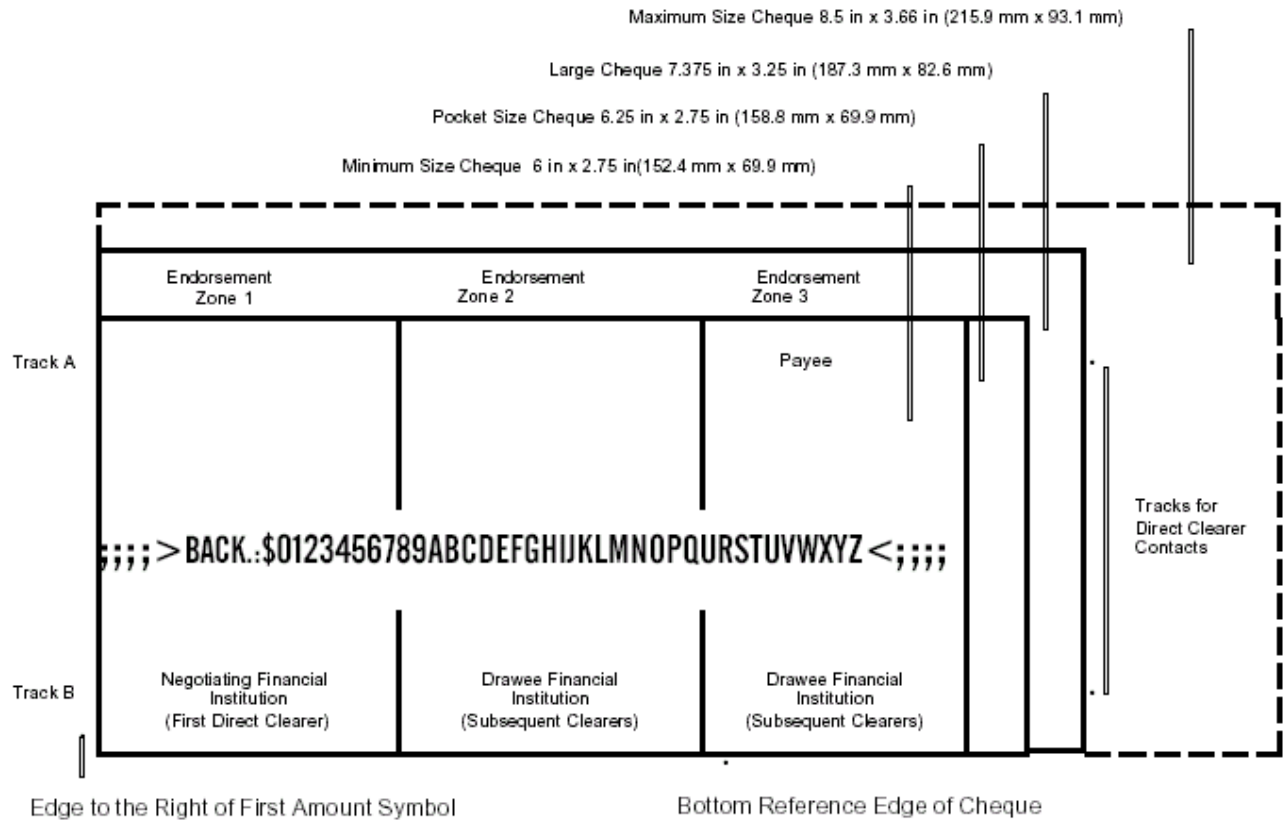


Back of Cheque
(Diagram not to scale)

Section A – Preparation of Clearings

Attachments

Attachment A.2.

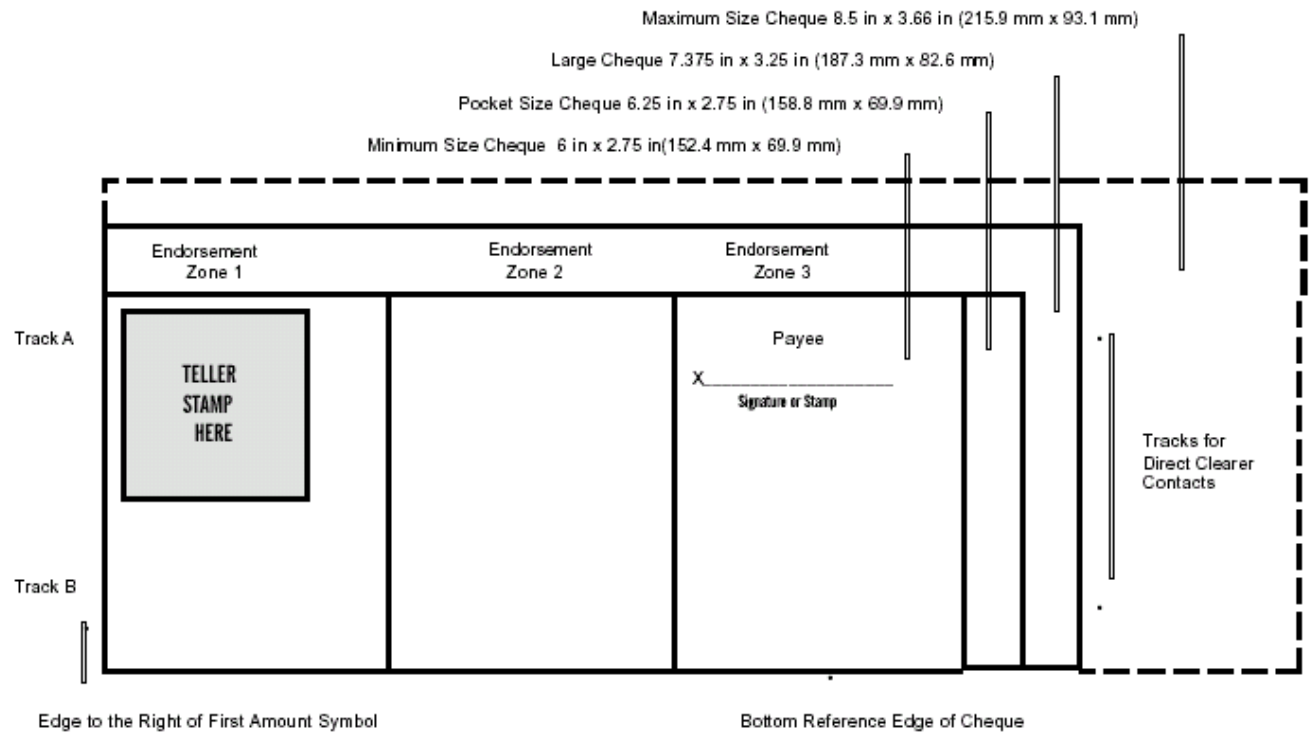


Back of Cheque

Section A – Preparation of Clearings

Attachments

Attachment A.3.



Back of Cheque

(Diagram not to scale)

Attachment A.4. Recommended Design For Return Item Carrier Envelopes

For use where dishonoured Items are processed as qualified documents

Attachment A.5. Recommended Design for Returned Item Carrier Envelope for Use With Automated Bulk Return Equipment

Front Side

1. Internal use only, cycle number, exception time worksheet reference number.
2. Fields that will not be mechanically printed.
3. OCR characters to support power MICR encoding.
4. Drawn on field limited to the eleven-digit customer short name.
5. Continuous printer feeder tract.
6. Return reason will be printed in both languages.
7. 5/8" space for MICR encoding.
8. 3/8" space for OCR printing.
9. Background colour.

Reverse side is translucent.