

We're here to help.

Digital Cheque Service Schedule

This is a Schedule to the Treasury Services Master Agreement (the "**Master Agreement**"). All capitalized terms not defined in this Schedule shall have the meaning given to them in the Master Agreement or in any other applicable Schedule. In addition to the terms and conditions in the Master Agreement, and of any Clearing Agency Agreement (where applicable), the Client agrees to the following:

1. Digital Cheque Service

- 1.1. BMO will provide the cheque processing and reporting services described in this Agreement (collectively, the "**Cheque Services**") in connection with the account(s) designated in the implementation process and other accounts which the Client may designate from time to time in a manner acceptable to BMO (individually, an "**Account**", and collectively the "**Accounts**").
- 1.2. The Cheque Services are available through BMO's Online Banking for Business platform and provides online reconciliation reports of captured items processed through the Accounts. Where enhanced services are selected by the Client, as described in Section 2, additional data may also be required from the Client via electronic transmission.
- 1.3. BMO will process all cheques, instruments and bills of exchange drawn on or purporting to be drawn on the Accounts (the "**Cheque(s)**") as described below.
 - (a) *Mechanical Processing.* Cheques will be processed mechanically and imaged. Such processing only involves reading the magnetic characters encoded on the Cheques, which includes the account number, serial number and amount. Reports and copies of imaged Cheques are available to the Client on demand through the Online Banking for Business platform.
 - (b) *No Signature Verification.* Cheques will not be examined mechanically or visually for signature verification or the determination of fraudulent or counterfeit activity. The Client authorizes BMO to pay Cheques, without manual or any other kind of examination for signature verification or for any other purpose, including without limitation, whether or not:
 - such Cheques are unsigned, post-dated or stale-dated,
 - any manual or facsimile signatures are genuine and authorized by the Client or on the Client's behalf,
 - such Cheques have been properly authorized, including whether or not they have been issued by the Client, and
 - the numerical figures in a Cheque correspond to the body/text of the Cheque or whether the Cheques have been altered or whether or not the date can be determined on the Cheque.

2. Inquiry and Stop Payment Features

- 2.1. The Client may perform the following Cheque Services activities through Online Banking for Business:



Digital Cheque Service Schedule (cont'd)

- (a) inquire on the status of a Cheque, including inquiring whether it has been paid or not;
 - (b) direct BMO to stop payment on a Cheque if such item has not yet been presented to BMO for payment or certification; and
 - (c) direct BMO to remove a stop payment previously placed on a Cheque if such item has not yet been dishonoured by BMO.
- 2.2. BMO is unable to stop payment on any Cheque that has already been presented for payment to BMO or to reverse any previously requested stop payment if the Cheque has already been dishonoured.
- 2.3. BMO's records respecting the time of presentment, payment or dishonour will be conclusive evidence of same in the absence of evidence to the contrary.

3. Service Options

The following are available to the Client:

3.1. *Basic Service (Negative Pay)*

- (a) All Clients will receive the Basic Service (Negative Pay). With Negative Pay, on each banking day, BMO will electronically deliver to the Client (or the Client's representative) the Cheques presented to BMO for payment the previous banking day.
- (b) The Client is responsible for reviewing the Cheques and if the Client wishes to instruct BMO to dishonour any such Cheques, the Client must provide instructions through the Online Banking for Business platform or in accordance with other instructions BMO may provide from time to time in the User Documentation.

3.2. *Enhanced Services*

In addition to Negative Pay, the Client may select the additional services described below (collectively the "**Enhanced Services**"):

(a) **Positive Pay – Match Data File to Client Issued File**

Where Positive Pay is selected, on each banking day, the Client will provide BMO with a data file (the "**Data File**") in a medium acceptable to BMO listing all Cheques the Client has drawn that day (and on any preceding non-banking day) and indicating the serial number and the amount of each such Cheque (and any other data BMO specifies for inclusion from time to time).

Following presentment, BMO will reconcile such Cheques against the Data File. If BMO does not receive a Data File from the Client, BMO is authorized to take whatever action BMO considers appropriate with respect to any Cheques presented to BMO, including returning any such Cheques unpaid.

(b) **Enhanced Positive Pay – Payee Name Validation**

Where Enhanced Positive Pay is selected, BMO will provide all of the services of Positive Pay described above, and will also match and validate the payee name shown on the Cheque against the Data File provided by the Client.



4. Additional Terms Applicable to Enhanced Services

4.1. Selection Regarding Dishonour

When receiving Enhanced Services, the Client must select, in a manner acceptable to BMO, one of the alternatives below:

- (i) **Standing Instructions to Dishonour.** BMO will only honour Cheques that match the information the Client supplies. The Client authorizes BMO to dishonour and return unpaid to the presenting financial institution, without further notice to the Client, all Cheques presented to BMO for payment that do not correspond with the serial number and amount details appearing on the Data File; or
- (ii) **Client-Initiated Dishonour.** BMO will notify the Client of all Cheques presented to BMO for payment that do not correspond with the serial number and amount details appearing on the Data File. Where the Client wishes for BMO to dishonour any such Cheques, the Client will use the Online Banking for Business portal to notify BMO of the details of the Cheque in accordance with the instructions set out in the User Documentation.

Should the Client fail to select either of these options, BMO is authorized to take whatever action it considers appropriate respecting such Cheques, including honouring or dishonouring any such Cheques..

4.2. General Terms and Conditions

- (i) Honouring, dishonouring and returning Cheques is subject to legal, regulatory and clearing restrictions including time limits and reasons for return.
- (ii) BMO will not be required to take any action or follow any instructions that may be contrary to such restrictions or to follow any instructions that are received outside the time frames required in order for BMO to comply with such clearing rules and regulations.
- (iii) BMO may try to act on any requests for dishonour received after the time specified above, but only on a commercially reasonable basis.

5. Indemnification and Limitation Liability

5.1. In addition to the indemnification provisions contained in the Master Agreement and any other agreements between the Client and BMO, with regard to the Cheque Services, the Client will indemnify and save BMO and its Representatives harmless against all Claims, directly or indirectly incurred by or taken against BMO or its Representatives which, without limitation, are the direct or indirect result of:

- (a) non-payment of any Cheque in accordance with the Client's instructions,
- (b) BMO's refusal to pay any Cheque for any reason,
- (c) any Cheque processed as described in this Schedule,
- (d) any overpayment, non-payment, improper payment, stale-dated or post-dated Cheque, Cheque bearing inconsistent words and figures, material alterations, forged or unauthorized signature or counterfeit Cheque, and
- (e) any Cheque paid or returned by BMO in accordance with a Positive Pay option selected by the Client.



Digital Cheque Service Schedule (cont'd)

- 5.2. This indemnification does not apply where the losses are the result of gross negligence or wilful misconduct on BMO's part.
- 5.3. The Client waives any claims the Client may have, in the absence of this Schedule, by virtue of Section 48 (Forged or Unauthorized Signatures) of the *Bills of Exchange Act* (Canada), as may be amended or replaced from time to time.
- 5.4. The foregoing provisions do not affect any rights, obligations or liabilities respecting endorsements on Cheques. Any other agreements between the Client and BMO respecting forged instruments will apply.
- 5.5. BMO is not responsible for confirming the accuracy of any information BMO receives, for any acts or omissions taken in reliance upon any information or instructions BMO receives respecting the Accounts, including, without limitation, for any discrepancies between Cheque numbers, serial numbers, amounts, payee names, material alterations, and any other information provided, or for any unauthorized instructions BMO receives.
- 5.6. The Client will comply with any specifications, instructions or User Documentation BMO may make available from time to time as well as any implementation and security procedures BMO may apply or amend from time to time.

6. Electronic Delivery of Account Statements

- 6.1. If there is a Clearing Agency Agreement between BMO and the Client, all regular statements for the Accounts will be provided to the Client pursuant to the terms of the Clearing Agency Agreement. For all other Clients, regular statements will be provided in electronic format, through the Online Banking for Business platform.

