



# 2024 Nacha Operating Rules & Guidelines

The Guide to the Rules  
Governing the ACH Network



# Navigating and Tabbing your ACH Rule Book

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# Session Objective

At the conclusion of this Workshop, users will:

- Understand the layout of the Nacha Operating Rules (the Rules)
- Understand ACH Participants, their roles and their obligations
- Have strategies for using the Rules Book as a tool
- Be able to answer, “Where does it say that?”

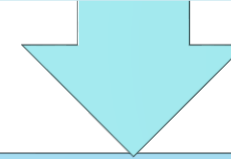
# Nacha Operating Rules

## Understanding the layout of the Rules

Each Article begins with general rules and proceeds to more specific rules

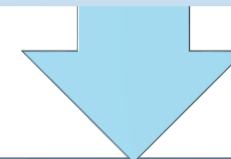
Section numbers are 2 digits (ex. 1.1)

Subsection numbers are 3 or more digits (ex. 1.1.2)



## Articles and Appendices comprise the actual Rules

Guidelines are for reference, recommendations, and best practices



Headings and Captions of subsections are not legally binding

# Nacha Board of Directors Policy Statements

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Data Security

Fraud Prevention  
and Risk  
Management  
Initiatives

ACH Data Breach  
Notification  
Requirements

Use of a Terminated  
Originator Database

Importance of Sound  
Business Practices to  
Mitigate Corporate  
Account Takeover

Front  
Matter

# Formal Rules Interpretation

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## Proper Use of SEC Codes for Check Conversion Entries

- PPD Entry can not be used for Check Conversion

## Aggregation of Transactions

- May not be aggregated for MTE and POS
- May be aggregated for WEB, PPD if transactions are accumulated for more than 14 days

# Nacha Administration Fees

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## Annual

- \$344.00

## Per-Entry Fee (Jan 1-Dec 31)

- \$.000185

## Same Day Entry

- \$.052

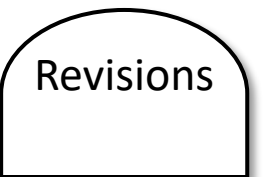
## Unauthorized Entry Fee

- \$4.50



# Revisions to the Nacha Operating Rules

Summary of new ACH  
Rules





# Nacha Operating Rules

Article One	General Rules
Article Two	Rights and Responsibilities of ODFIs, their Originators, and Third-Party Senders
Article Three	Rights and Responsibilities of RDFIs and their Receivers
Article Four	Rights and Responsibilities of ACH Operators
Article Five	Rights and Responsibilities of Gateways for IAT Entries
Article Six	Rights and Responsibilities of the National Association
Article Seven	Settlement
Article Eight	Definitions of Terms Used in These Rules



# Article One: General Rules

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Guidelines

Article 1  
General



# Nacha Rule Book Trivia!

- Most common cover color – Blue
- Least common cover color – Brown
- Nacha staff used to choose the color, now it's voted on by any direct member of Nacha or a Regional Payments Association

# Article One - General Rules

Rules apply to ALL Entries

Government follows the Rules that they agree  
to

DFIs must comply

- Warrants legally able to comply with all rules
- DFI responsible for its Third-Party Service Providers compliance



# Article One - General Rules

U.S. Legal  
Requirements  
supersede the Nacha  
Operating Rules

- OFAC
- FinCEN
- Reg E
- UCC 4A



# Article One - General Rules

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## Audits of Rules Compliance

- DFI must conduct annual audit
- DFI warrants Third-Party Service Provider and Third-Party Sender conduct audit
  - Audits must be completed by December 31

## Rules Enforcement

- DFI must comply with Rules Enforcement





# Article One - General Rules

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## Risk Assessments

- DFI must
  - Conduct assessment of the risk of ACH activity
  - Implement risk management program
  - Comply with regulator requirements

## Compensation for Errors

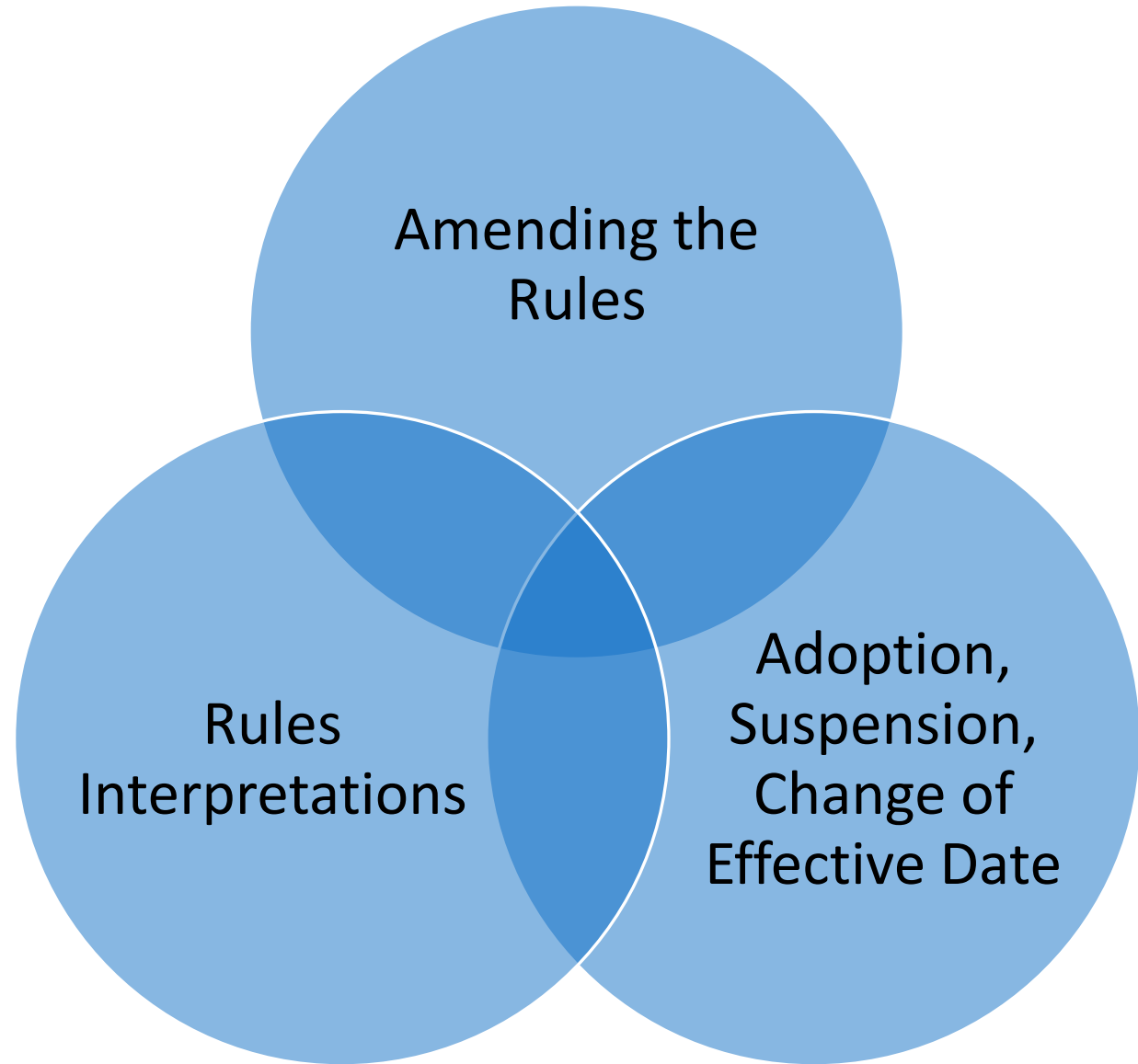
- DFIs use to settle claims

## Arbitration

- DFIs use to settle disputes

Risk Assessment

# Article One - General Rules





# Article One - General Rules

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DFI must retain Record of each Entry for SIX years from the date the Entry was transmitted

Electronic Signatures

Excused Delay

- War or act of God
- Failure of communication equipment does not constitute excused delay



# Article One - General Rules

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## Security Requirements

- Non-consumer Originators, ODFIs, RDFIs, and Third-Party Service Providers
  - Establish, implement, and update policies and procedures
  - Protected Information
    - Non-public personal information of a natural person
    - Used to create an Entry
  - Initiation, processing, storage of Entries
    - Protect the confidentiality and integrity of Protected Information
    - Protect against anticipated threats to security of Protected Information
    - Protect against unauthorized use of Protected Information



# Article One - General Rules

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## Secure Transmission of ACH Information via Unsecured Electronic Networks

- Banking information related to an Entry
- Commercially reasonable level of security
- Does not apply to communications between RDFI and Receiver
- Does not apply to wireline or wireless telephone to a live operator or voice response





# Article One – General Rules

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## Choice of Law

- Credit Entry subject to UCC Article 4A
- Governed by the laws of New York
- Unless superseded by agreement

# Article One – General Rules

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## Beneficiaries of the Rules

- Nothing in the Rules gives any legal or equitable right, remedy, or claim to any other entity, including to any Originator, Receiver, or Third-party Service Provider or Third-Party Sender

## Protection for the National Association

- A Participating DFI that commences a legal proceeding against Nacha must pay the legal fees associated with the proceeding if judgement is found in Nacha's favor or is dismissed

# Article One – General Rules

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## UNAUTHORIZED ENTRY FEE

(EXCLUDES IAT)

- Fee is set at \$4.50 per unauthorized return
- R05, R07, R10, R11, R29, or R51
- Nacha will re-evaluate the amount of the fee every three years

## SAME DAY ENTRY FEE

- ODFI pays RDFI for Same Day Entries
- Fee is set at 5.2 cents per Same Day Entry



# Article One – General Rules

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## Network Administration Fees

- All participating DFIs pay
  - An annual fee
  - A per Entry fee for each Entry transmitted or received through Network or Direct Sends
- Fees established by Nacha Board of Directors



# Article Two: Rights and Responsibilities of ODFIs, Their Originators, and Third-Party Senders

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ODFI is Responsible  
for Entries and Rules  
Compliance

A black and white photograph of a chalkboard. The word "Responsibility" is written in a large, cursive, white chalk font. Below the word, there is a single, horizontal, slightly curved white line drawn across the board. The background of the chalkboard is dark and shows some faint, illegible markings.



ODFI Verification of Originator,  
Third-Party Sender Identity uses  
commercially reasonable  
method

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# AGREEMENT

ODFI must have an Agreement with each Originator, Third Party Sender, or Sending Point

Origination Agreement Issues

# Agreement with Originator must include:

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- Authorize the ODFI to originate Entries
- Originator must be bound to the Rules
- Originator must agree not to originate Entries that violate the laws of the United States
- Restrictions on types of Entries that may be originated
- Right of ODFI to terminate or suspend the agreement
- Right of ODFI to audit the Originator's compliance with the agreement and the Rules

# Agreement with Third-Party Sender must include:

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- Authorize the ODFI to originate Entries
- TPS must be bound to the Nacha Operating Rules
- TPS must agree not to originate Entries that violate the laws of the United States
- Restrictions on types of Entries that may be originated
- Restrictions on Nested Third-Party Senders
- Right of ODFI to terminate or suspend the agreement
- Right of ODFI to audit the TPS's compliance with the agreement and the Rules
- Require the TPS to enter into an agreement with Originators and/or Nested Third-Party Senders

ODFI must enter into an agreement with each Sending Point

ODFI is liable for each Entry Transmitted by Sending Point containing ODFI's routing number

Agreement  
with Sending  
Point

# ODFI Risk Management

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## Due Diligence includes:

- Reasonable belief that Originator or Third-Party Sender has the capacity to perform its obligations according to the Rules
- Assess the nature and risk of Originator's or Third-Party Sender's ACH activity
- Establish, implement and periodically review exposure limits
- Establish and implement procedures to:
  - Monitor origination and return activity across multiple Settlement Dates
  - Enforce restrictions on the types of Entries that may be originated
  - Enforce exposure limits

# Article Two – ODFI/Originators/TPS

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## Termination, Suspension, and Audit of Originators and TPS

- Default termination is 10-banking days notice by ODFI
- Can be amended by agreement

## ODFI Board Approval of Direct Access

- ODFIs board of directors or designee must approve Direct Access Debit Participant Relationships



# Authorization and Notice

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General Rule - Authorization must be obtained from Receiver

Consumer Accounts Credits:

- Not required in writing
- No authorization required if Originator and Receiver are Natural Persons

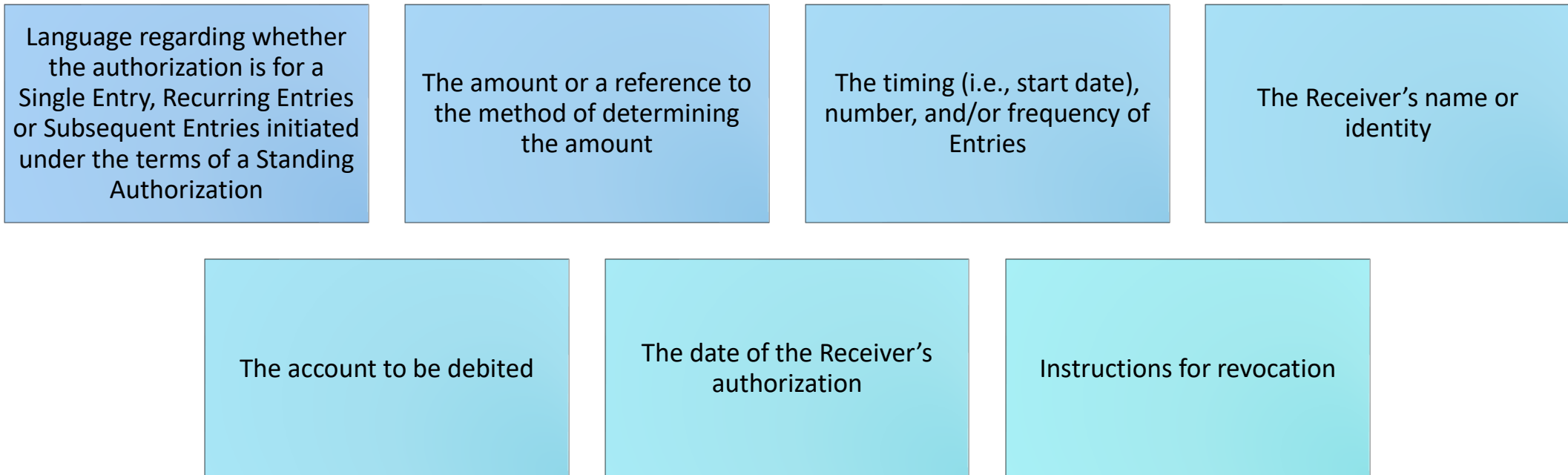
Consumer Account Debits:

- Must be in writing and signed or similarly authenticated
- Originator must provide electronic or hard copy of Receiver's authorization for debit entries to consumer account

Authorization

# Consumer Debit Authorization Requirements

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# Form of Authorization

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## Electronic Authorization



Signature compliance with E-Sign Act  
Visually displayed and readable

Sample  
Authorization

# Oral Authorization Requirements

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## Single Entry

- Audio recording
- **OR**
- Provide Receiver written notice prior to Settlement of the Entry

## Recurring Entry

- Audio recording
- **AND**
- Provide Receiver written notice prior to Settlement of the Entry

## Standing Authorization

- Audio recording
- **OR**
- Provide Receiver written notice prior to settlement of the first Subsequent Entry

# Standing Authorization

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An Originator may obtain a Standing Authorization from a Receiver for future Subsequent Entries to the consumer Receiver's account that require further affirmative action by the Receiver to initiate

Originator must clearly specify the action(s) a Receiver can take to initiate a Subsequent Entry

# Subsequent Entries

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In cases where the Receiver's affirmative action to initiate Subsequent Entries involves the communication or confirmation of the Receiver's banking information via an Unsecured Electronic Network, the Originator must comply with the security requirements in 1.7

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An Originator may identify a Subsequent Entry using the SEC code of either the Standing Authorization or the Subsequent Entry

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Standing Authorizations obtained as TEL or WEB entries may not use PPD for Subsequent Entries

# Retention and Provision of Record of Authorization

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Originator must retain the original or a copy of each authorization of a Receiver

Originator must retain for two years from termination or revocation

For a Standing Authorization, Originator must also retain proof of Receiver's affirmative action for all Subsequent Entries for two years following the Settlement date of each Subsequent Entry

Upon RDFI written request, ODFI must provide copy within 10 Banking Days

Originator must provide copy to ODFI in such time as to allow the ODFI to act on request for copies

# Notices of Variable Recurring Debits to Consumer Accounts

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Change in Amount → 10 calendar days



Change in Date → 7 calendar days

7/10 Day  
Rule



# Agreement, Notice, and Authorization to Non-Consumer Accounts

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## Agreement to Non-Consumer Accounts – between Originator and Receiver

- Receiver agrees to be bound to the Nacha Operating Rules

## Notice by ODFI to Originator for Non-Consumer Credit Entries

- For Credit Entries subject to UCC Article 4A
- Entry may be transmitted through ACH
- Laws of New York or superseded by agreement
- Credit to Receiver is provisional until final settlement
- RDFI entitled to refund from Receiver if no final settlement

# Provision of the Record of Authorization - Non-Consumer Accounts

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## Record of Authorization

- CCD, CTX, Inbound IAT to Non-Consumer Account
- Request of RDFI, ODFI must provide evidence of authorization of Entry
  - Accurate record of authorization
  - Contact information for Originator – phone or email for inquiries
  - Within ten Banking days of receipt without charge
- Originator must comply with ODFI request

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# Restrictions on Data Passing

“An ODFI must not disclose, and must ensure that the Originator and any Third-Party Service Provider acting on behalf of the Originator or ODFI do not disclose, the Receiver’s account number or routing number to any third party for such third party’s use, directly or indirectly, in initiating a separate debit Entry.”

# General ODFI Warranties

The Entry is authorized by the Originator and Receiver

The Entry complies with the Rules

The Entry is not transmitted on behalf of a suspended Originator or Third-Party Sender

The Entry contains required information

Credit Entry is timely

Debit Entry satisfies an obligation, corrects an error or reclaims an amount received after death or legal incapacity


Secure transmission of banking information

# Entry is Authorized and Accurate

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ODFI warrants to each RDFI and ACH Operator that:

- The Entry has been properly authorized
- The authorization has not been revoked
- The authorization has not been terminated by any operation of law
- The entry contains the Receiver's correct account number
- The entry contains all information necessary to enable the RDFI to comply with the Rules



Nope  
No way  
Nuh uh  
No

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ODFI Warranties do  
not apply to goods  
and services

# General Indemnity by ODFI

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## INDEMNITY FOR BREACH OF WARRANTY

- From and against any and all claims, demands, losses, liabilities, and expenses
- Every RDFI and ACH Operator
- Resulting either directly or indirectly

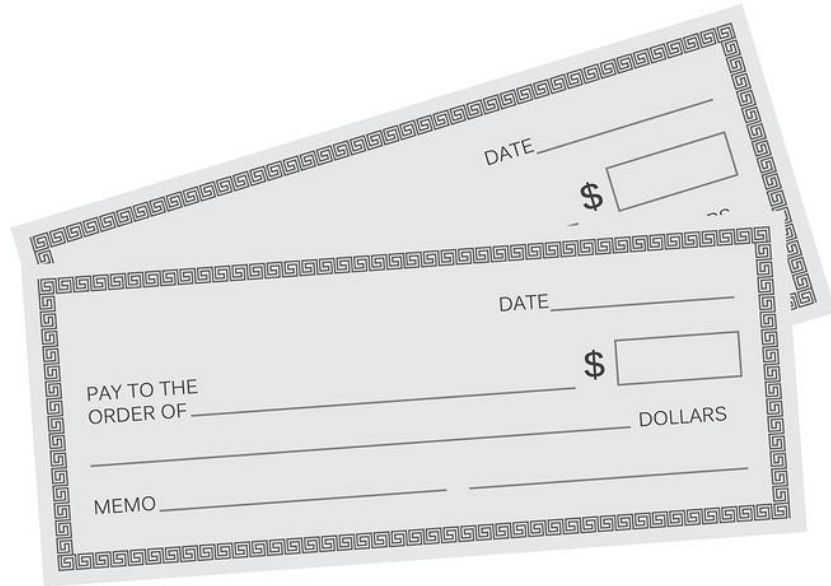
## FAILURE TO COMPLY WITH REGULATION E

- ODFI indemnity to RDFI and ACH Operator
- ODFI breach causes RDFI to violate Regulation E

# Provisions for Specific Types of Entries

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# Eligible Source Document

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For ARC, BOC, or POP a check that is used as an Eligible Source Document must:

- Contain a pre-printed check serial number
- \$25,000 or less
- Completed and signed (except for POP)
- Complete MICR line
  - Routing number, account number, and check serial number encoded in magnetic ink

# Non-Eligible Source Documents

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- Checks with Auxiliary On-U.S. field
- Third party checks
- Remotely created checks or drafts
- Checks that access forms of credit
- Checks drawn on investment companies
- Obligations of financial institutions
  - Travelers checks, cashier's checks, official checks or money orders
- Checks drawn on U.S. Treasury, Federal Reserve Banks, Federal Home Loan Banks
- Checks drawn on state or local governments not payable through or at a participating DFI
- Checks payable in a medium other than U.S. currency



# Specific ARC Entry Provisions

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## GENERAL RULE

- Single Entry debit
- Consumer or non-Consumer
- Eligible Source Document received:
  - Via US mail or delivery service
  - At a dropbox location
  - In person for payment of a bill at a manned location

## AUTHORIZATION

- Provide conspicuous notice to Receiver
- Notice must contain substantially similar (safe harbor) language as provided in the Nacha Operating Rules
- A copy of the notice must be provided to the Receiver at the time of the transaction when the source document is provided by the Receiver for payment of a bill at a manned location

Standard Entry  
Class Codes

Authorized by  
SEC Code

ARC

# Specific ARC Entry Provisions

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Eligible Source Document will not be presented for payment

Entry is accurate

Used a reading device to capture the MICR information

Originator will retain copy of front of Source Document

Establish commercially reasonable methods to securely store

# Specific BOC Entry Provisions

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## GENERAL RULE

- Single Entry debit
- Consumer or non-Consumer
- Eligible Source Document provided by Receiver to Originator at the point-of-purchase or manned bill payment location for subsequent conversion during back-office processing

## AUTHORIZATION

- Originator must post notice in prominent and conspicuous location
- Notice must contain substantially similar (safe harbor) language as provided in the Nacha Operating Rules
- Must provide a copy of notice, or similar language to Receiver at time of transaction



BOC

# Specific BOC Entry Provisions

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Eligible Source Document will not be presented for payment

Entry is accurate

Uses a reading device to capture the MICR information

Verification of identity of Originator or TPS

Originator uses commercially reasonable procedures to verify the identity of the Receiver

Originator Information

Originator will retain copy of front of Source Document

ODFI will provide RDFI with Originator information within two Banking Days of RDFI's written request if received within two years of the Settlement Date of original BOC Entry

Customer Service telephone

Establish commercially reasonable methods to securely store number

# Specific CCD Entry Provisions



- General Rule
  - Credit or debit Entry between two Organizations (not natural persons)
  - May contain one addenda record
  - Health Care EFT must have one Addenda Record containing the Reassociation Trace Number
  - May be Non-Monetary Entry with payment related (remittance) information

# Specific CIE Entry Provisions

## Specific CIE Entry Provisions

- Credit Entry
- Initiated by or on behalf of the holder or a Consumer Account
- Specific periodic statement requirements

## Some Rules do not apply to CIE Entries

- ODFI Agreement with Originator
- ODFI Risk Management



# Specific CTX Entry Provisions

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## General Rule

- Credit or debit Entry between two Organizations (not natural persons)
- May contain up to 9,999 addenda records
- May carry payment-related (remittance) data
- May be Non-Monetary Entry with payment related (remittance) information



# Specific DNE Entry Provisions

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## General Rule

- Non-Monetary Entry
- Originated by the United States Government
- Provide notice to RDFI of death of a Receiver

# Specific ENR Entry Provisions

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## General Rule

- Non-Monetary Entry
- Initiated by an RDFI to the United States Government
- Enrolls a Person with an agency of the United States Government that enables Entries to the Receiver's account
- Not eligible as a Same Day Entry



# Specific IAT Entry Provisions

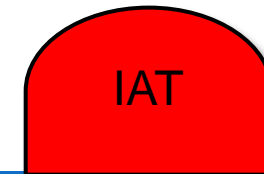
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## GENERAL RULE

- Inbound or Outbound credit or debit Entry
- Payment transaction involving a financial agency outside the territorial jurisdiction of the United States
- Not eligible as a Same Day Entry

## AUTHORIZATION FOR OUTBOUND IAT ENTRIES

- Outbound IAT Entries must be authorized
  - Form and content of foreign receiver's authorization is governed by the laws and payment system rules of the receiving country
- No authorization is required for Outbound IAT credits between natural persons



# Specific IAT Entry Provisions

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## Additional Agreement Provisions for IAT:

- Allocation of gains, losses and the assumption of risk for foreign exchange conversion
- Rights and responsibilities of the ODFI in the event of Erroneous Entries



# Specific IAT Entry Provisions

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## ODFI ADDITIONAL WARRANTIES FOR OUTBOUND IAT ENTRIES

- Originator and ODFI are in compliance with U.S. Legal Requirements, including:
  - OFAC
  - FinCEN
- Authorization complies with foreign laws or payment system rules of the receiving country

## ODFI INDEMNITY OF GATEWAY

- Indemnity for Breach of Warranty by ODFI
  - From and against any and all claims, demands, losses, liabilities, and expenses
  - Resulting directly or indirectly from any breach
- This indemnity is in addition to all general indemnities previously discussed

# Outbound IAT Entries

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## Nacha Operating Rules exceptions for Outbound IAT Entries

- Authorization and Notices for Consumer accounts - Obtaining, provision of copies, retention, notices of variable amounts and dates
- Agreement to be bound to the Rules
- Reclamations and Written Demands for Payment
- Dishonor of Return

## The following apply to the extent supported by laws and rules of foreign receiving country

- Prenotification Entries
- Reversing Files and Entries
- Notifications of Change
- Reinitiation of Returned Entries

## The following applies to Outbound IAT Entries to the extent that UCC 4A applies

- Notice by ODFI to Originator for Non-Consumer credit Entries





# Inbound IAT Entries

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Nacha  
Operating  
Rules  
exceptions  
for  
Inbound  
IAT Entries

- ODFI and Originator action on NOC applies to the extent the laws and payment system rules of the foreign originating country support Notifications of Change



# Specific MTE Entry Provisions

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## General Rule

Credit or debit Entry

Consumer

Initiated at Electronic Terminal  
using access device

ODFI, Originator, TPS required to  
comply

Required to comply with (ANSI)  
(ASC) X9.8 for PIN management  
and security

# Specific POP Entry Provisions

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## GENERAL RULE

- Single Entry debit
- Consumer or non-Consumer
- Eligible Source Document converted at the point-of-purchase



## AUTHORIZATION

- Written authorization at time of transaction
- Provide conspicuous notice to Receiver
- Notice must contain substantially similar (safe harbor) language as provided in the Nacha Operating Rules
- Revocation language not needed

POP



# Specific POP Entry Provisions

## Eligible Source Document

- Does not need to be completed or signed
- Originator must use a reading device to capture the MICR line
- May key enter to correct errors
- Source Document must be voided and returned to Receiver and may not have been previously used

# Specific POP Entry Provisions

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## Receipt Requirements for POP Entries

- Receipts must contain:
  - Originator name and telephone number
  - Date and amount of transaction
  - Check serial number
  - Unique number that identifies the location of transaction
  - Terminal city and state
- Receiver's complete account or identification number may not be printed on the receipt
- Nacha recommends other pieces of information



# Specific POS Entry Provisions

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## GENERAL RULE

- Debit Entry
- Consumer
- Initiated at an Electronic Terminal using an access device

## PIN SECURITY PROVISIONS

- ODFI, Originator and TPS required to comply with (ANSI) (ASC) X9.8 for PIN management and security



# Specific PPD Entry Provisions

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## General Rule

- Credit or debit Entry
- Consumer

## Authorization requirements for Debits

- In writing, and signed or similarly authenticated

## Authorization requirements for Credits

- Not required to be in writing

PPD



# Specific RCK Entry Provisions

- General Rule
  - Debit Entry
  - Consumer
  - Collection of a Check that was returned for insufficient or uncollected funds



# Specific RCK Entry Provisions

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## AUTHORIZATION REQUIREMENTS

- Provide notice (posting is general practice, notice is not required to be physically given to Receiver)
- Notice must be conspicuous
- Notice must contain clear and readily understandable terms

## RETENTION

- Originator will retain copy of front and back of the item
- Copies retained for 7 years from Settlement Date
- Must be clearly marked as paid if item has been paid
- ODFI must provide copy within 10 banking days of RDFI request



# Eligible Checks

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A Check used to initiate an RCK Entry must:

- ✓ Meets definition of item from UCC Article 4
- ✓ Drawn on a DFI (not FRB or Federal Home Loan Bank)
- ✓ Pre-printed serial number
- ✓ Less than \$2,500
- ✓ Was returned for NSF or UCF
- ✓ Dated 180 days or less from RCK Entry
- ✓ Drawn on consumer account
- ✓ Previously presented
  - ✓ 2x physical
  - ✓ 1x physical & 1x RCK

# Non-Eligible Source Documents

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Items ineligible for RCK Entries include:

- × Noncash items as defined by Regulation CC
- × Drafts drawn on the U.S. Treasury, Federal Reserve Banks, Federal Home Loan Banks
- × Drafts drawn on state or local governments not payable through or at a participating DFI
- × Third-party checks
- × Remotely created checks or drafts
- × U.S. Postal Service money orders
- × Checks payable in a medium other than U.S. currency

# ODFI Additional Warranties for RCK Entries

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- Any restrictive endorsement is void
- Good Title to the Returned Item
- Signatures are genuine
- Item not altered
- No defenses
- No knowledge of insolvency
- Entry accurately reflects item and encoding on item is correct
- Item will not be presented unless related RCK Entry has been returned



# Specific SHR Entry Provisions

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## GENERAL

- Debit Entry – point of sale transaction or withdrawal
- Consumer
- Initiated at Electronic Terminal using access device
- ODFI and RDFI have agreement in addition to the Nacha Operating Rules

## PIN SECURITY PROVISIONS

- ODFI, Originator, and TPS required to comply
- Required to comply with (ANSI) (ASC) X9.8 for PIN management and security



# Specific TEL Entry Provisions

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## GENERAL RULE

- Debit Entry
- Consumer
- Oral authorization obtained via telephone call



## RELATIONSHIPS

- Receiver places call to Originator, no existing relationship required
- Originator places call to Receiver, existing relationship is required

TEL



## What is an Existing Relationship?

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An existing relationship is defined as having:

- A written agreement between Originator and Receiver
- Receiver purchased goods or services from Originator within the last 2 years

# Specific TEL Entry Provisions

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- Authorization requirements
  - Clear and readily understandable terms
  - Authorization must be oral via a telephone call
  - Must include a telephone number for Receiver inquiries



# Additional ODFI Warranties for TEL Entries

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## Verification of Information by Originator

- Verify Receiver's identity using commercially reasonable procedures
- Verify routing number using commercially reasonable procedures



# Specific TRC/TRX Entry Provisions

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## General Rule

- Debit Entry initiated under a Check Truncation Program
- TRC is presentment of single check
- TRX is presentment of multiple checks
- Subject to UCC Articles 3 and 4
- Unilateral or bilateral agreements for Check Truncation

# Specific WEB Debit Entry Provisions

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## GENERAL RULE

- Debit Entry
- Consumer
- May be used for a Standing Authorization or a Subsequent Entry



## AUTHORIZATION REQUIREMENTS

- Based on any form of authorization that is communicated from the Receiver to the Originator via the Internet or a Wireless Network
- Revocation requirements apply to single and recurring WEB Entries

WEB

# Specific WEB Debit Entry Provisions

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Originator must conduct an annual audit to ensure that financial information obtained from Receivers used for WEB Entries is protected by security practices and procedures. At a minimum, should include:

- Physical security
- Personnel and access control
- Network security



# Additional Warranties for WEB Debit

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Originator has deployed commercially reasonable procedures to:

- ✓ Establish and implement fraudulent transaction detection system
- ✓ Verify identity of Receiver
- ✓ Account Validation
- ✓ Verify routing numbers

# Specific WEB Credit Entry



Credit Entry initiated by holder of Consumer account intended for a Consumer Account of a Receiver

- Authorization in any form
- P2P entry

ODFI must provide to Originator all statement requirements including

- Payee name

Exceptions for WEB Credit Entry

- Origination Agreement
- ODFI Risk Management

# Specific XCK Entry Provisions

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## General Rule

- Debit Entry
- Consumer or non-Consumer
- Check(s) contained in a cash letter that was lost, destroyed, or otherwise unavailable
- A damaged item or image that cannot be processed but has sufficient information to create an ACH Entry
- XCK Entry is not considered a check under UCC Article 4



# Specific XCK Entry Provisions

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## Provision of Copy of Item

- Copy retained for six years from origination
- ODFI must provide copy within 30 days of written request from RDFI or first DFI to which such item was transferred if different from the ODFI (if received within six years from origination of XCK Entry)

# Eligible XCK Source Documents

---

## Requirements:

- Item defined by UCC Article 4
- Drawn on or payable through a DFI (not FRB or Federal Home Loan Bank)
- Less than \$2,500
- Lost, destroyed, or otherwise unavailable while in transit
- Damaged item that cannot be processed but has sufficient information to create an ACH entry



# Non-Eligible XCK Source Documents

---

## Ineligible Documents:

- Noncash items as defined by Reg CC
- Drafts drawn on U.S. Treasury, Federal Reserve Banks, Federal Home Loan Banks
- Drafts drawn on state or local governments not payable through or at a participating DFI
- U.S. Postal Service money orders
- Checks payable in a medium other than U.S. currency
- Returned items



# Additional Warranties for XCK

---

- Good Title to the Check
- Signatures are genuine
- No alterations
- No defenses
- No knowledge of insolvency
- Item drawn on RDFI
- XCK Entry accurately reflects item
- Item has not been presented
- Authority and eligibility

# Special to XCK Entries

---

No authorization  
required by Receiver

No agreements  
between Originator  
(payee) and ODFI

RDFI does not have to  
accept XCK Entries

Not subject to check  
law or Regulation E

- Warranties from check  
law incorporated into  
Nacha Operating Rules

SEC Code  
Guidelines



# Nacha Rule Book Trivia!

- Bigger is better...??
  - In 1987, the rule book weighed less than 2 pounds. 2024 is very close to 4 pounds!
- The Book used to include “other stuff”
  - The Green Book
  - Fed Payment Schedules
  - RPA rules
  - Operating Circular 4
  - EFTPS

# Prenotification Entries

## General Rule

- Non-Monetary Entry
- Tests account number validity

## Specific Provisions for Prenotifications

- May initiate Entry as soon as the third banking day following settlement of the Prenotification
- If ODFI receives Return or NOC by opening of business on second Banking day following Settlement, Originator may not initiate Entry until corrections made

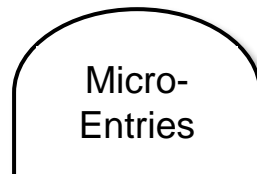
Prenotes



# Micro-Entries

---

- Used to verify the validity of an account number
- A credit Micro-Entry must be less than \$1.00
- One or more debit Micro-Entries must not exceed the amount of the corresponding credit
- Company Entry Description: ACCTVERIFY
- Originator may initiate future Entries as soon as the validation process is complete
- Originators must conduct commercially reasonable fraud detection
  - Monitoring forward and return volumes



# Reversals

---

## REVERSING FILES

- Used to reverse erroneous files
- A correcting file must be sent concurrently
- Sent within 5 banking days of settlement of erroneous file and within 24 hours of discovery of error

## REVERSING ENTRIES

- Used to reverse an erroneous single Entry
- Sent within 5 banking days of settlement of erroneous file and within 24 hours of discovery of error
- Originator must make a reasonable attempt to notify Receiver

Reversal

# Erroneous Entry

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Duplicate

Unintended  
Receiver

Unintended  
Amount

Debit too  
Early

Credit too  
Late

Payroll  
Exception



# Reversing Entries

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ODFI may dishonor Return of debit  
Erroneous Entry if credit Reversing  
Entry sent and ODFI has not  
received return of credit Reversing  
Entry

ODFI may dishonor Return of debit  
Reversing Entry if ODFI has not  
received return of credit Erroneous  
Entry

# Reclamation Entries and Written Demands for Payment

---

An ODFI may initiate a Reclamation Entry if

- The Receiver of the pension or benefit is deceased
- The estate is not entitled to the funds

The amount of the Reclamation may not exceed the amount that the Receiver is not entitled to

Originator or ODFI must originate a Reclamation within five banking days of notice of death

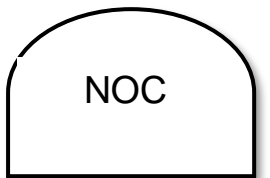
US Government claims take precedent over Commercial Reclamations

# Notification of Change Entries

---



- General Rule
  - ODFI must accept COR Entry if transmitted within the prescribed timeframe
- Right to Refuse
  - ODFI may refuse NOC for all entries except IATs
  - ODFI could also refuse if information is incorrect
  - Must be refused within 15 days of receipt of NOC



# Notification of Change Entries

---

## Timeframe and Information Requirements

### Timeframes

ODFI must provide Originator information within two Banking Days of Settlement Date of NOC

### Information provided to Originator from NOC must include:

- Company name, identification, Entry description
- Effective Date
- Receiver name, account number, and identification number
- Change code, original trace number, original RDFI routing number
- Corrected data

# Notification of Change Entries

---

## ODFI/Originator Action

- Except as noted, Originator must make changes within six Banking Days of receipt or prior to the next Entry, whichever is later

## Exceptions:

- At its discretion, Originator may make changes to ARC, BOC, POP, RCK, single TEL, WEB and XCK
- CIE and WEB credit - ODFI or TPSP makes changes
- NOC in response to Prenote, if NOC received by ODFI by opening of business of second Banking Day following settlement of Prenote, Originator must make changes prior to subsequent Entry

# Return Entries

---

- General Rule
  - Must accept any Return Entry received that meets the requirement of the Nacha Operating Rules and within timeframes
  - ODFI has the right to request an Entry be returned to them by the RDFI (although RDFI not obligated to comply with such request)
  - ODFI could choose to accept a late Return Entry
  - ODFI can refuse ACK/ATX Entry if not formatted correctly, but must do so within 15 days of receipt of the ACK/ATX Entry



# Reinitiation of Return Entries

---

## ORIGINATOR OR ODFI MAY REINITIATE ENTRY IF IT WAS:

- Returned for NSF or Uncollected Funds
- Returned for Stop Payment and reinitiation was authorized by Receiver
- Reason for return was remedied

## TIMING REQUIREMENTS

- Must be reinitiated within 180 days of original Entry
- For NSF or Uncollected Funds, may only be reinitiated up to two times following original Entry
- Total of 3 presentments



# Reinitiation of Return Entries

---

A debit Entry will not be treated as a Reinitiated Entry if:

- A new debit Entry is one of a series of recurring Entries, not contingent upon the return of an earlier debit Entry
- The Originator obtains a new authorization after receiving the original Return Entry



# Reinitiating of Return Entries

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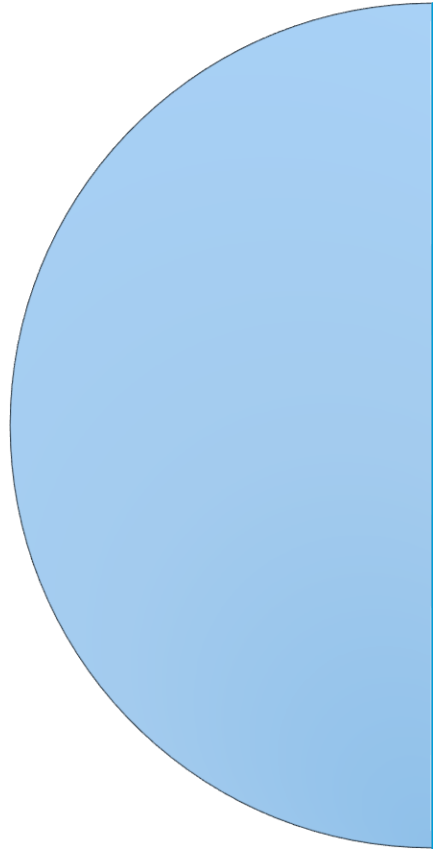
## Formatting Requirements

- ✓ Separate batch
- ✓ Company Entry Description field contains “RETRY PYMT”
- ✓ Company Name, Company ID, Amount fields identical to the original Entry
- ✓ Other fields modified only to correct error or for proper processing

Requirements



# Reinitiation of Return Entries



## Improper Reinitiation Practices

- After return, Entry to same Receiver, greater amount
  - Same underlying obligation plus a fee
- After return, Entry to same Receiver, lesser amount
  - Portion of same underlying obligation
- Reinitiation of an Entry returned unauthorized
- Any Entry Nacha reasonably believes attempts to evade limitations on Reinitiation

# Dishonor of Return Entry by ODFI

---

- ODFI may dishonor a Return Entry (except IAT) if:
  - The information in the Return Entry is incorrect
  - The Return was not sent timely by RDFI
  - Return was misrouted
  - Return was a duplicate
  - Request for Return not made by ODFI
  - Permission not granted by ODFI for Return
  - Results in unintended credit entry to Receiver due to Erroneous Entry and Reversal Entry
- Timing of Dishonored Return
  - Must be sent to the ACH Operator within five Banking Days after Settlement Date of Return Entry



# Return Fee Entries

---

Can be originated to a consumers account if:

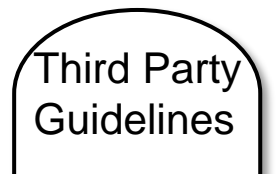
- The Entry has been returned for NSF or UCF
- Authorization for the fee has been met
  - PPD if authorized by notice
  - Use SEC Code appropriate to manner of authorization
- Only one fee for original return
- The company entry description must contain “RETURN FEE”
- Within 45 days of the Returned Entry



# Third-Party Senders

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- TPS warrants that the Originator agrees to comply to the Rules and assumes responsibility
- TPS indemnifies the ODFI of any loss
- TPS is liable for retention and delivery requirements of records, documents, and authorization



# Third-Party Senders

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## Identification of Originators by Third-Party Senders (TPS)

- Upon ODFI request, TPS must provide information necessary to identify the Originator within two Banking Days of receipt of ODFI request

TPS is required to complete an annual audit in accordance with the Nacha Operating Rules of any ACH function that they perform on behalf of a Participating DFI

# Third-Party Senders

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## TPS Warranty and Indemnification

- TPS warrants to the ODFI that the Originator assumes responsibilities of the Nacha Operating Rules
- TPS Indemnity to ODFI for Breach of Warranty
  - Failure of Originator to perform Originator obligations
  - From and against any and all claims, demands, losses, liabilities, and expenses
  - Resulting directly or indirectly

# Third-Party Senders

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Performance  
of ODFI  
Obligations  
by TPS

Extent that TPS performs  
any warranty of ODFI –  
including but not limited

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Monitoring origination and return activity  
across multiple Settlement dates

---

Enforce restrictions on type of Entries  
originated

---

Enforcing set exposure limits

---

Does not relieve ODFI of any  
of its obligations

---



# Third-Party Senders

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## Payment to ODFI

- TPS agrees to make payments to ODFI for any credit Entry initiated or debit Entry returned
- Originator agrees to make payment to ODFI if payment not received from TPS

## Delivery of Information

- TPS warrants that Originator will retain and provide records or documents of records as required by the Nacha Operating Rules

# ODFI Reporting to Nacha

## Release of Designated Data

- ODFIs authorize ACH Operators to provide Nacha designated data related to Entries transmitted to or by ODFI

## Direct Access Registration

- ODFI's must report their direct access status to Nacha and keep the status up to date
- In the case that an ODFI has a direct access participant they must report information on a quarterly basis to Nacha

# ODFI Reporting to Nacha

---

## Third-Party Sender Registration

- ODFIs must report the existence of TPS relationships and specific information about the TPS

## Nested Third-Party Sender Registration

- ODFIs must report the existence of Nested TPS relationships and specific information about the Nested TPS

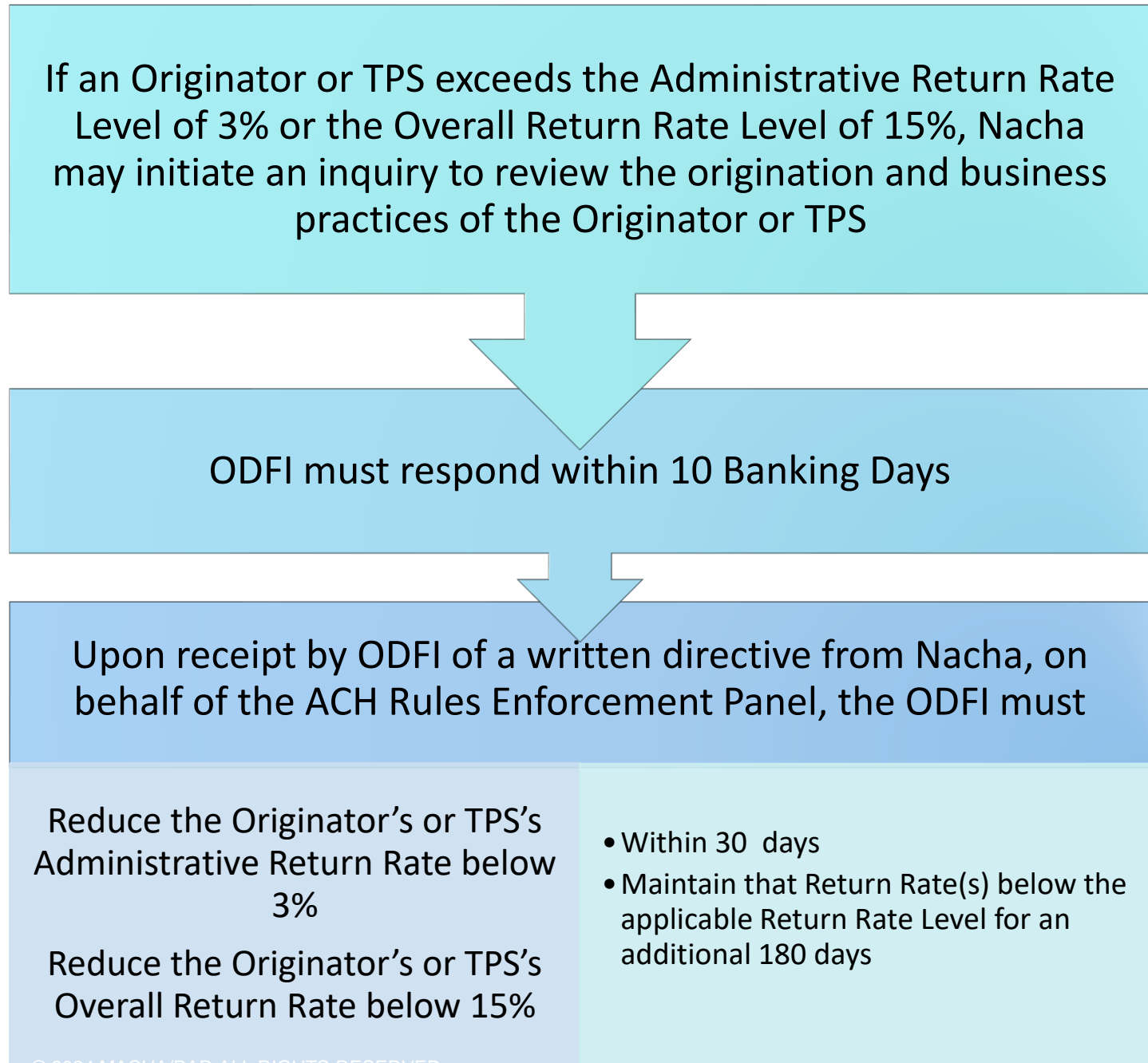
# ODFI Return Rate Reporting

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- ODFI could receive notice from Nacha alleging one or more of their Originators or TPS have exceeded an Unauthorized Return Rate of .5%
- Upon receipt, ODFI must:
  - Respond in writing within 10 Banking Days
  - Must either refute claim or explain reason causing the excess Return Rate
  - If acknowledged, Return Rate must be reduced below 0.5% within 30 days and maintained for additional 180 days

# ODFI Return Rate Reporting



# Where Does it Say That?

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## **Question 1:**

What is the security requirement for transmitting Banking Related information through the ACH Network?

Where does it say that?

# Where Does it Say That?

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## Question 2:

The Operations Manager contacts you and says, Management just mentioned that Nacha raised the fee on the Nacha Admin Monthly Fee. The Manager wants to know “where does it say we have to pay a fee?”

For Extra credit – where can you find more information on the fee and any other fees?

# Where Does it Say That?

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## Question 3:

What Section of the Rule Book is dedicated to ODFI, Originators and Third-Party Senders?



# Where Does it Say That?

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## Question 4:

Your Manager is familiar with the Rules and just wants to know what's new. Where would you find the latest Rule Changes?



# Article Three:

## Rights and Responsibilities of RDFI's and Their Receivers

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RDFI  
Guidelines

Article 3  
RDFI

# General Rights and Responsibilities of RDFI

---



RDFI must accept Entries which:

Comply with the Nacha Operating Rules

Are received with respect to an account maintained with the RDFI



Entry is deemed to be received on the Banking Day on which the Entry is made available by the Receiving ACH Operator to the RDFI or its Receiving Point

# General Rights and Responsibilities of RDFI

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## RDFI may rely on:

- Account number
  - Name of the Receiver in the Entry is not required to be verified by the RDFI as a name associated with the account number
- SEC Codes for purpose of complying with Nacha Operating Rules

## RDFI may request copy of Receiver's authorization

- In writing
- Does not apply if both Receiver and Originator are natural persons or for non-consumer accounts
- For CCD, CTX and Non-Consumer IAT – evidence of authorization or Originator contact information

# RDFI obligated to provide information about each debit and credit Entry to consumer account:

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- Posting Date
- Amount of Entry
- Company name/Originator name
  - Credit WEB entries for P2P
    - Originator name is in the Individual Identification Number field
- Company Entry description
- Account type
- Account number
- Service charges related to Entry
- Beginning and ending balance

# Providing Information

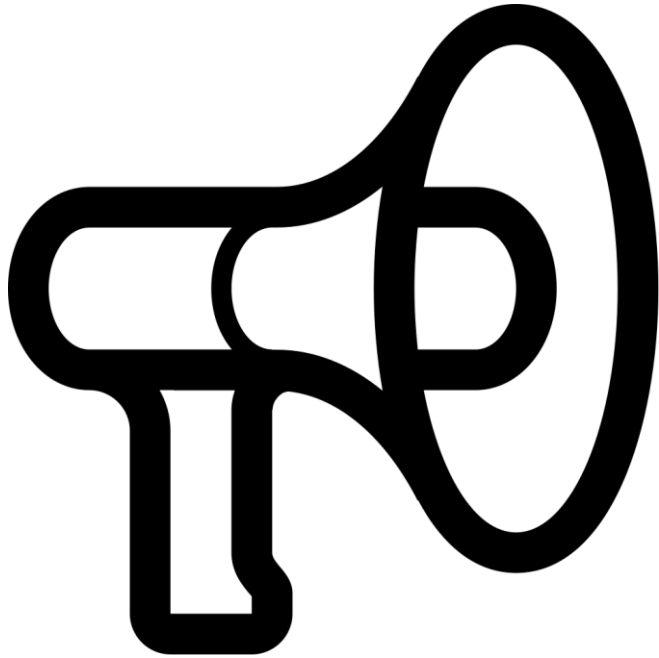
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- Some information unique to specific SEC Codes
  - ARC, BOC, RCK, XCK, IAT\* – Check Serial Number
  - MTE, POS, SHR, IAT\* – terminal ID or location, terminal city and terminal state
  - POP, IAT\* – Check Serial Number, terminal city and terminal state, address and telephone number to be used for inquiries
- CCD, CTX, CIE, IAT\* to Non-Consumer Accounts
  - If requested by Receiver, all information contained within Payment Related Information field of Addenda Record
  - Must provide to Receiver by open of business on RDFI's second Banking Day following Settlement Date of the Entry

# Notices to Receiver for Credit Entries subject to UCC Article 4A

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- Entry may be Transmitted through the ACH
- Rights and obligations of Receiver governed by the laws of State of New York unless otherwise agreed
- Credit is provisional until RDFI receives final settlement
- If RDFI does not receive payment, RDFI is entitled to refund from Receiver and Originator will not be considered to have paid the amount of the credit Entry
- RDFI not required to provide notice of receipt of Entry unless RDFI has agreed to do so
- RDFI may rely on the Settlement Date of an Entry regardless of the Effective Entry Date

# Availability

## Timing of Credit Entries

- Credit Entries – if made available to RDFI by ACH Operator by 5:00 p.m. (RDFI's local time) on Banking Day prior to Settlement Date, amount of credit must be made available to Receiver by 9 AM RDFI local time
- Funds from Same Day ACH credits processed in the first processing window will be made available by 1:30 p.m. RDFI local time
- Funds from Same Day ACH credits processed in the second window will be made available by 5:00 p.m. RDFI local time
- Funds from Same Day ACH credits processed in the third window will be made available to pay debits by the end of the RDFI's processing day
- An RDFI that reasonably suspects a credit entry is unauthorized is exempt from the general availability requirements subject to legal requirements

Availability



# Posting

---



## Timing of Debit Entries

- RDFI must not debit the amount of any Entry to the Receiver's account prior to the Settlement Date of the Entry
- Even if Effective Date is different

# Prenotifications

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General Rule – RDFI that receives a Prenotification must verify the account number is a valid account

If account number is not valid, or is otherwise erroneous, the RDFI must Transmit either a Return Entry or a Notification of Change

# Reclamations

---

## GENERAL RULE

RDFI may debit a Receiver's account for any Reclamation Entry that meets the proper requirements without regard to any Person other than the Receiver having an interest in the account identified



## LIABILITY OF RDFI

RDFI is liable to the Originator for the amount of each Reclamation or Written Demand for Payment properly initiated by the ODFI unless the Reclamation Entry or Written Demand for Payment is properly returned by the RDFI

# Stop Payments - Consumers

## Recurring

- Three Banking Days prior to next scheduled withdrawal date

## Single

- Reasonable opportunity to act

If written stop is required - signed within 14 days of the verbal stop payment order

A copy of the revocation may be requested

A stop payment is in effect until

- Order is withdrawn
- The return of the debit Entry, or, where the stop payment order applies to more than one debit Entry with one specific Originator, the return of all such debit Entries

Stop Payment  
Rules

# Stop Payments – Non-Consumer

---

RDFI must honor a verbal or written stop order that was provided in time for the RDFI to react

A written order is required 14 days after verbal stop

A written stop is in effect until

- Order is withdrawn
- Return of the debit Entry
- Six months unless renewed in writing

# Return Entries

---

## General Rule

- RDFI may return any Entry for any reason that complies with the Rules and the requirements of Appendix Four

## Restrictions on RDFI's right of return

- May not return an Entry based on SEC code
  - Except XCK – can be returned for any reason
  - Except Entry received to a non-transaction account

May not return Entry based exclusively on data accurately obtained from MICR line of Check, unless NOC was not acted upon

# Return timeframe

---

RDFI must Transmit a Return Entry to its ACH Operator by the ACH Operator's deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the second Banking Day following the Settlement Date of the original Entry

- Except as otherwise provided
- Rejected Return Entries do not satisfy or extend timing requirements



# Return Entries – Specific Provisions

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- Must return unposted credit Entries
- Late Return for CCD or CTX
- Timing of return of RCK Entries
- Timing of return of XCK Entries



# Receipt of Dishonored Return

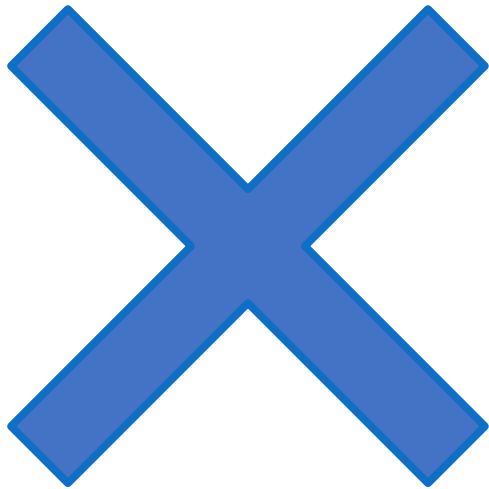
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If RDFI receives Dishonored Return because the Return Entry was missing information,

RDFI may Transmit a corrected Return Entry within two Banking Days of the Settlement Date of the dishonored Return Entry

# Contested Dishonored Return

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RDFI may contest the dishonored Return Entry if:

- ✓ The Return Entry was timely
- ✓ The Return Entry was not a duplicate
- ✓ The Return Entry contained no errors
- ✓ The dishonored Return Entry was untimely or misrouted
- ✓ The dishonored Return entry relates to an Erroneous Entry or Reversing Entry, and both were previously returned
- ✓ Funds relating to the dishonored Return Entry R62 are not recoverable from the Receiver – only for R62

Must Transmit contested dishonored Return Entry to the ACH Operator within two Banking Days after the Settlement Date of the dishonored Return Entry

# Notifications of Change

---

## GENERAL RULE

An RDFI may Transmit a Notification of Change (COR Entry) to its ACH Operator if:

- The COR Entry is Transmitted within two Banking Days of the Settlement Date of the Entry to which the COR relates
- Exception: mergers, acquisitions, or similar events

## RDFI WARRANTY

An RDFI Transmitting a COR Entry warrants that:

- The information contained in the Entry is correct



# Notifications of Change

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## Correction to Refused NOCs

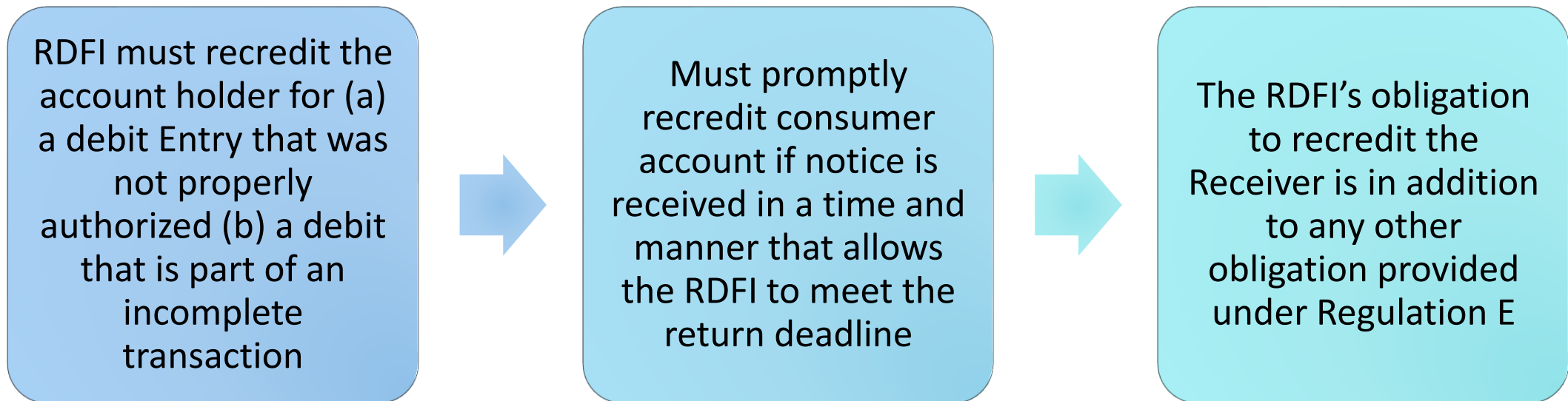
- If an ODFI refuses a COR Entry, the RDFI may Transmit a corrected COR Entry to the Receiving ACH Operator within five Banking Days after the Settlement Date of the refused COR Entry

## RDFI Warranty

- An RDFI Transmitting a COR Entry warrants that the information contained in the Entry is correct

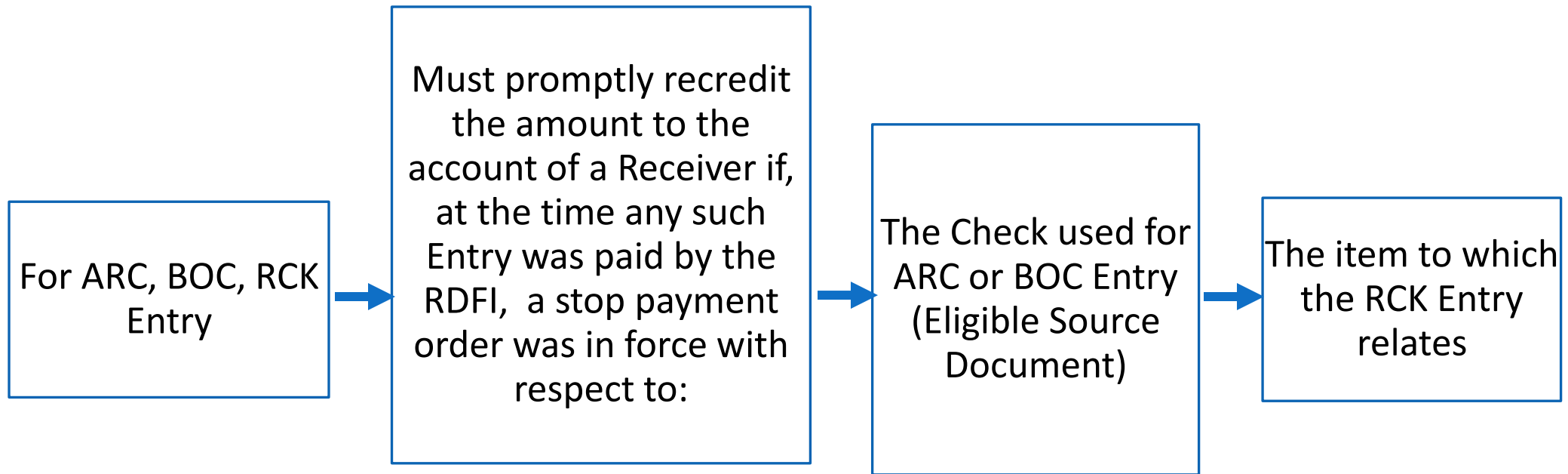
# RDFI Obligation to Recredit Receiver

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# RDFI Obligation to Recredit Receiver

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# Written Statement of Unauthorized Debit (WSUD)

RDFI must accept WSUD from a Receiver with respect to any:

- Unauthorized or improper debit to a consumer account
- Unauthorized or improper ARC, BOC, or POP to a non-consumer account
- Any unauthorized IAT Entry
- Incomplete Transaction to a Consumer account or Incomplete Transaction for ARC, BOC, POP
- Improperly Reinitiated Debit Entry

Must be signed or similarly authenticated and submitted within proper timeframes

Sample Written Statement

Auth Revoked VS. Stop Pymt

Written Statement

# Written Statement of Unauthorized Debit (WSUD)

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Must include minimum information for each Entry for which recredit is requested:

- Receiver's printed name, signature, and account number
- Identity of the party debiting the account, and if different, the name of the intended third-party payee
- Date the Entry was posted to the account
- Dollar amount of the Entry
- Reason for return
- Signature date
- Receiver assertion that WSUD is true and correct
- Receiver assertion that they are an authorized signer



# Other WSUD requirements

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Must be dated on or after the Settlement Date of the Entry

More than one unauthorized debit Entry from a single Originator can be documented on a WSUD, all required information must be provided for each debit Entry

WSUD may be obtained in writing, electronically with an electronic signature or orally.

RDFI must retain copy of WSUD for at least one year from Settlement Date of the Return Entry to which it relates

RDFI must provide copy of WSUD to ODFI within 10 Banking Days

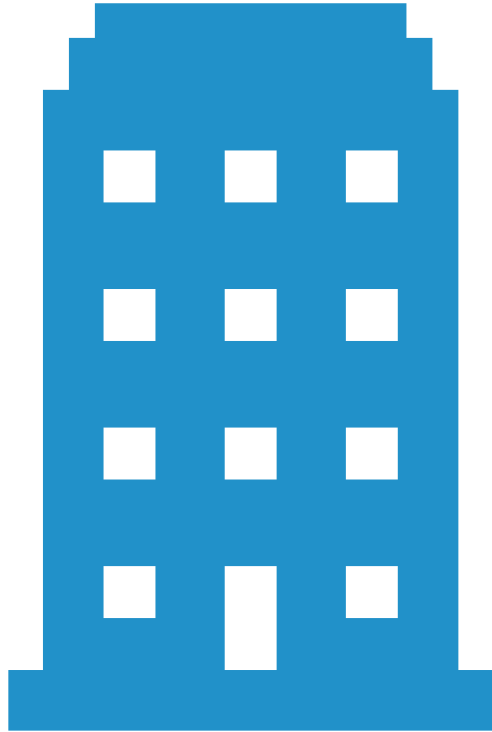
- Upon written request, if request is received within one year

# Extended Return Entries

---

RDFI may Transmit an Extended Return Entry for a debit Entry provided that:

- No error was made by the RDFI in the debiting of the original Entry
- The RDFI Transmits the Extended Return Entry to its ACH Operator by its deposit deadline for the Extended Return Entry to be made available to the ODFI no later than the opening of business on the Banking Day following the sixtieth calendar day following the Settlement Date of the original Entry



# Article Four: Rights & Responsibilities of ACH Operators

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# General Rights and Responsibilities

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---

Annual agreement with Nacha

---

Comply with the Rules

---

Agreements with DFIs

---

Evaluate the credit worthiness and apply risk measures to DFIs

---

Comply with Federal Reserve Policy on Settlement

---

Process and Edit files

---

Insert Settlement date

---

May initiate a reversing file or Entry

---

Retain all ACH records for 1 year

---

Provide Designated Data to National Association



# Article Five: Rights & Responsibilities of Gateways for IAT Entries

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# Responsibilities of Gateways

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Must enter into agreement with ODFI

Must comply with US Law

Identify Ultimate Foreign Beneficiary

Must notify intended RDFI of unlawful inbound payment transaction

Must provide minimum information regarding the transaction within 5 banking days

Must obtain authorization from ODFI

# Responsibilities of Gateways

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Operators acting as Gateways may not process debit inbound IAT Entries

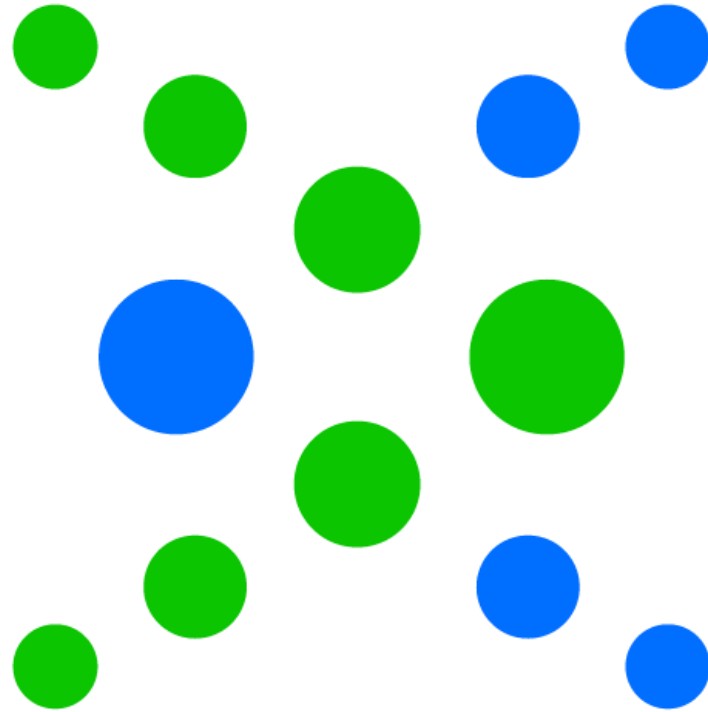
- Except reversals

Obligation to Transmit Return Entries for Outbound IAT Entries returned by Foreign Gateway

Must provide corrected data contained within an NOC to the Foreign Gateway within two banking days of the Settlement Date of the NOC

Warrants to ODFI and Operator the file is edited

Assumes Obligations of Other Participants



# Article Six: Rights & Responsibilities of the National Association

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# Nacha





# National Association

## Use and Disclosure of Designated Data

- Nacha may use Designated Data as supplied by the ACH Operators to:
  - Monitor ACH quality and compliance with Nacha Operating Rules
  - Support an enforcement proceeding
- Nacha must comply with Data Breach Policy
- Nacha must comply with privacy laws



# Article Seven: Settlement

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# Settlement

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## Maintenance of Reserve Account

- Participating DFI must maintain or have the use of a correspondent account

## Settlement

- An ACH Operator is responsible for affecting settlement among Participating DFIs
- An ACH Operator must reverse Entries received from an ODFI which were transmitted to the RDFI if the ODFI cannot complete settlement
- An ACH Operator must return Entries to the ODFI that were originated to an RDFI for which the RDFI cannot complete settlement



# Article Eight: Definition of Terms Used in These Rules

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Definitions

# Nacha Operating Rules Appendices

Appendix One	ACH File Exchange Specifications
Appendix Two	Specifications for Data Acceptance by ACH Operators
Appendix Three	ACH Record Format Specifications
Appendix Four	Return Entries
Appendix Five	Notification of Change
Appendix Six	Acknowledgement Entries
Appendix Seven	Compensation Rules
Appendix Eight	Arbitration Procedures
Appendix Nine	Rules Enforcement
Appendix Ten	Determination and Review of Same Day Entry Fee

# Appendix One: ACH File Exchange Specifications



# Appendix Two: Specifications for Data Acceptance by ACH Operator



# Appendix Two – Data Acceptance by ACH Operators

---

## Automatic File Rejection Criteria

- File cannot be read or contains an undefined record type
- Invalid Sending Point
- Out of balance - sum of counts, hash totals, total dollars, block counts
- File Header Record errors
  - ID Modifier not uppercase A-Z or 0-9
  - Record Size not 094
  - Blocking Factor not 10
  - Format Code is not 1
- Sequence of records incorrect
- File Header data matches previously accepted file

# Automatic Batch Rejection Criteria

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- Invalid characters, routing number not valid ODFI, invalid Service Class Code, Trace Numbers not in ascending order
- Invalid or Incorrect Transaction Code, Amount not numeric, sequence of records in batch incorrect, out of balance condition
- Company Name, Description, Company Identification all blank or spaces
- Invalid SEC code, Trace Number ODFI does not match ODFI in Company Batch
- Forward and Return Entries in Same Batch
- Batch contains Returns and Dishonored or Contested Dishonored Returns
- Batch Number Errors

# IAT Entry Automatic Batch Rejection Criteria

- All spaces or zeros
  - Foreign Exchange Indicator, ISO Destination Country Code, Originator Identification, ISO Originating Country Code, ISO Destination Currency Code
- Gateway Operator Identification/Originating DFI is not a valid routing number

# Appendix Three: ACH Record Format Specifications

# Appendix Three – ACH Record Format Specifications

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## ACH Record Formats

- Code values and data elements
- Requirements, contents, data length
- Each record is 94 characters
- Addenda Records
  - Payment Related Information field is 80 positions
  - Addenda record formats vary based on SEC Code requirements

# Transaction Codes

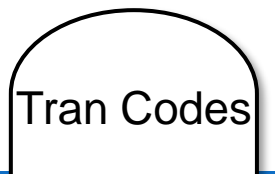
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## DEMAND CREDITS (CHECKING)

- 20 – Reserved
- 21 – Return/COR of original 22,23,24
- 22 – Demand Credit
- 23 – Prenote of Demand Credit: DNE;  
and ENR
- 24 – Zero Dollar w/remittance – CCD,  
CTX, IAT, ACK,ATX

## DEMAND DEBITS (CHECKING)

- 25 – Reserved
- 26 – Return/COR of original 27,28,29
- 27 – Demand Debit
- 28 – Prenote of Demand Debit
- 29 – Zero Dollar w/remittance – CCD,  
CTX, IAT



# Transaction Codes

---

## SAVINGS CREDITS

- 30 – Reserved
- 31 – Return/COR of original 32, 33, 34
- 32 – Savings Credit
- 33 – Prenote of Savings Credit; DNE;ENR
- 34 – Zero Dollar w/remittance – CCD,  
CTX, IAT, ACK,ATX

## SAVINGS DEBITS

- 35 – Reserved
- 36 – Return/COR of original 37, 38, 39
- 37 – Savings Debit
- 28 – Prenote of Savings Debit
- 39 – Zero Dollar w/remittance – CCD, CTX,  
IAT

# Transaction Codes

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## GENERAL LEDGER CREDITS

- 41 – Return/COR of original 42, 43, 44
- 42 – General Ledger Credit
- 43 – Prenote of General Ledger Credit
- 44 – Zero Dollar w/remittance – CCD, CTX

## GENERAL LEDGER DEBITS

- 46 – Return/COR of original 47, 48, 49
- 47 – General Ledger Debit
- 48 – Prenote of General Ledger Debit
- 49 – Zero Dollar w/remittance – CCD, CTX



# Transaction Codes

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## LOAN ACCOUNT CREDITS

- 51 – Return/COR of original 52, 53, 54
- 52 – Loan Credit
- 53 – Prenote of Loan Credit
- 54 – Zero Dollar w/remittance – CCD, CTX

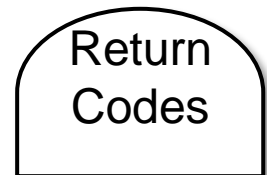
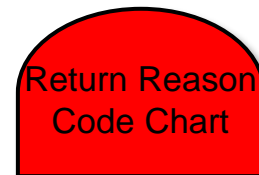
## LOAN ACCOUNT DEBITS – REVERSALS ONLY

- 55 – Loan Account Debit
- 56 – Return/COR of original 55

# Appendix Four: Return Entries

## Financial Institutions designated by their original function

- ODFI of original Entry will receive the Return
- RDFI of original Entry will generate the Return
- ODFI of original Entry receiving Return – only party that can Dishonor the Return
- RDFI of original Entry that generated the Return and receives a Dishonored Return – only party that can Contest the Dishonored Return



# Appendix Five: Notification of Change

- Must contain original Entry Data except as noted
- Standard Entry Class code must be changed to “COR”
- Transaction Code must be
  - 21 or 26 = Demand Accounts
  - 31 or 36 = Savings Accounts
  - 41 or 46 = General Ledger Accounts
  - 51 or 56 = Loan Accounts
- Addenda Type Code = 98
- Correction Data in Addenda Record

NOC  
Codes

# Appendix Six: Acknowledgements

## Acknowledgment Entry created by RDFI

- Must contain original Entry Data except as noted
- Notice to ODFI
- CCD or CTX entry has been received
- Standard Entry Class Codes
  - ACK for CCD
  - ATX for CTX
- Transaction Code = 24 or 34
- Amount Field = zero
- Addenda Type Code = 05
- ACK+ or ATX+ – Addenda format ANSI ASC X12 REF Data Segment

# Refused Acknowledgement Entries

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ODFI of original CCD or CTX

Codes to be used for refusal

- A1 – Misrouted Acknowledgment Entry
- A2 – Incorrect Trace Number
- A3 – Incorrect Company Identification Number

# Appendix Seven: Compensation

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## Claims of compensation between Participating Financial Institutions

- Loss of use of funds
- No participant unjustly enriched or injured
- Claim not to exceed benefit received
- Not admission of negligence or fault
- Loss suffered must be at least \$200.00
- Loss suffered calculated using provided formula excluding \$200 administrative fee per entry

# Appendix Seven - Compensation

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## Compensation claims can include:

- Back Valuation
- Forward Valuation
- Return or Reversal of Erroneous Entry
- Change of Beneficiary

## Compensation Formula includes:

- Entry Amount
- Federal Funds Rate
- Number of Days
- \$200 Administrative Fee
- Applicable Deposit Insurance Assessment

# Appendix Eight - Arbitration

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## Disputes between Participating DFIs

- Damages claimed must be \$250 or more
- \$250 non-refundable application fee
- Claim submitted by officer of complainant
- Within 2 years of alleged violation

## 3 Arbitration Procedures

- A, B & C



# Nacha Rule Book Trivia!

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- Years with the most Rule Changes
  - 1987, 26 changes
  - 1993, 21 changes
  - 2013, 18 changes
- Year with the least Rule Changes
  - 2017 – no changes



# Appendix Nine: Rules Enforcement



Rules  
Enforcement

Rules  
Violation

# Rules Enforcement

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## Rules Enforcement

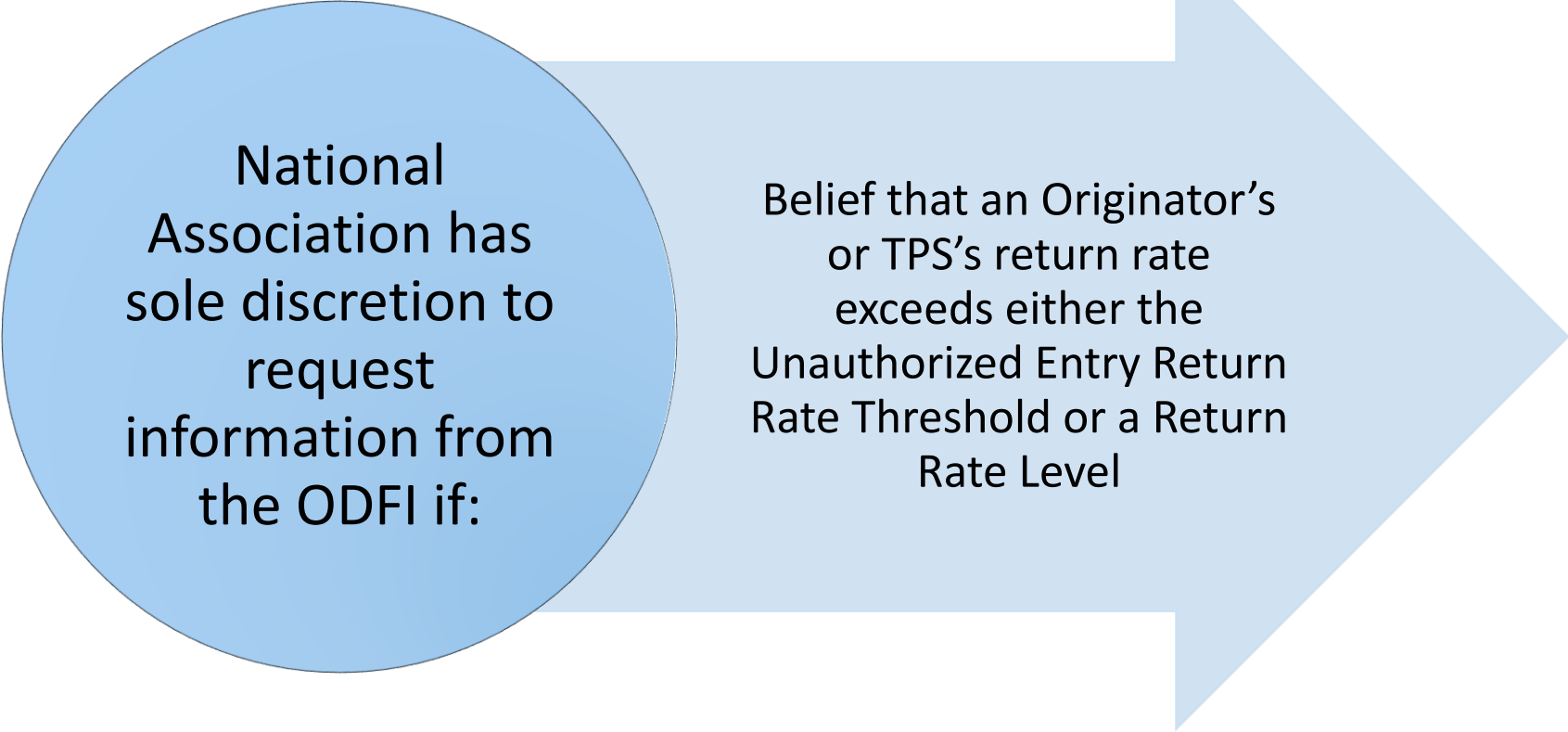
- ACH Rules Violation filed against DFI
- Identification of any Originator or TPS with excessive return rates
- Failure of DFI to comply with a direct obligation to Nacha as defined within Rules
- Determine if ODFI must reduce Administrative and/or Overall Return Rates of any Originator or TPS

## Rules Enforcement

- Defines criteria for rules enforcement proceeding
- Establishes parameters for Nacha actions

# Nacha Request for Information

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National Association has sole discretion to request information from the ODFI if:

Belief that an Originator's or TPS's return rate exceeds either the Unauthorized Entry Return Rate Threshold or a Return Rate Level

# Rules Enforcement Proceeding

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National Association  
May Also Initiate a  
Rules Enforcement  
Proceeding

- Belief that Entries were initiated without proper authorization
- In response to the failure of a Participating DFI to comply with a direct obligation to Nacha, per the Rules

# Rules Enforcement

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## Initiation of Rules Enforcement Proceeding by Participating DFI or ACH Operator

- Any violation of Rules
- Filed against Participating DFI
- Complainant must be Participating DFI or ACH Operator party to the transaction
- Initiated by submitting Report of Possible ACH Rules Violation

# Report of Possible Rules Violation

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- Identification of Parties
- Summary of Facts
- Supporting Documents
- Signature of authorized representative
- Filed within 90 days of the occurrence of alleged rules violation
- Separate reports for violations involving more than one Participating DFI

# Fines and Penalties

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Participating DFI cited with  
Class 1,2,3 violation

Fines levied based on Class  
Rules Violation type

Nacha collects fine by ACH  
debit to respondent  
Participating DFI

Nacha will provide  
respondent Participating  
DFI with date and amount  
at least seven banking  
days in advance of debit



# Class 1 Rules Violation

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## Recurrence of previous rule violation

- Same infraction
  - Originator, ODFI, Third-Party Service Provider, RDFI
  - Within 1 year of Resolution Date of initial Rules Violation
- First Recurrence
  - Up to \$1,000
- Second Recurrence
  - Up to \$2,500
- Third Recurrence
  - Up to \$5,000

# Class 2 Rules Violation

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## ODFI FAILS TO:

- provide complete and accurate information to Nacha within 10 Banking Days
- reduce Return Rate below Unauthorized Entry Return Rate Threshold within 30 days
- maintain acceptable Unauthorized Return Rate for 180 days
- reduce Administrative or Overall Return Rate(s) below applicable Return Rate Level(s) within 30 days
- maintain acceptable Administrative or Overall Return Rate(s) for 180 days
- register Direct Access or provide data reporting regarding a Direct Access Debit Participant

## PARTICIPATING DFI

- does not respond to Notice of Rules Violation or Notice of Possible Fine
- responds that it does not intend to correct rules violation
- Fails to respond to information about unauthorized return rate, fails to reduce unauthorized return rate within 30 days, fails to maintain unauthorized return rate for 180 days
- Fails to register Direct Access Status/report data
- Fails to provide proof of audit, if requested
- ACH Rules Enforcement Panel determines resolution timeframe excessive
- Nacha believes violation causes excessive harm to ACH Network
- Fourth recurrence



# Class 2 Rules Violation

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## Class 2 Rules Violation Fine

- Up to \$100,000 per month until problem resolved
- Separate monthly fines could be assessed for different Originators/Third Party Service Providers

# Class 3 Rules Violation

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## Class 3 Rules Violation

- Class 2 Rules Violation for 3 consecutive months


## Class 3 Rules Violation Fine

- Up to \$500,000 per month until resolved

## Suspension

- ACH Rules Enforcement Panel determines Class 3 Rules Violation for specific Originator/Third Party Sender
- Panel directs ODFI to suspend origination for that Originator/Third Party Sender
- Only ACH Rules Enforcement Panel may lift suspension
- Nacha will notify Participating DFIs, ACH Operators, Regional Payment Associations of suspension and reinstatement





# Appendix Ten-Determination of the Same Day Entry Fee

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## Same Day ACH Initial Period

- September 23, 2016-September 21, 2029

## Same Day ACH Renewal Period

- The period between the effective date of a revision (or notice of no change) of the Same Day Entry Fee, and the effective date of the next revision (or notice of no change)

# Index

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Can be used as a guide to find specific information

If topic is not found in the Index, does not mean that the answer is not in the Book

History  
of ACH

Index

# Where Does it Say That?

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## Question 5:

Your customer service representative calls and states that a corporate customer has a WEB transaction post to their account 3 weeks ago that was unauthorized. What do you do?

# Where Does it Say That?

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## Question 6:

An RDFI returns an ARC Entry as R03 because they were unable to match the name to the account number due to the field being blank. Is this allowed? Where does it say that?



# Where Does it Say That?

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## Question 7:

An FI activated their contingency plan. Due to unforeseen circumstances, returns were sent late. Where does it say that this is acceptable?

# Where Does it Say That?

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## Question 8:

Your corporate customer comes into a branch to dispute a CCD debit that has posted to their account. You request a copy of the authorization from the ODFI and the ODFI says No. Can they say no? Where does it say that?

# Where Does it Say That?

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## Bonus Question:

A new Originator is looking for confirmation that they need to submit their ACH files to the Operator, 1 day in advance for debits and 2 days in advance for credits. Where does it say that?

# QUESTIONS

# For Your Records

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## Continuing Education Credits

### **Navigating and Tabbing your Rule Book**

**This session is worth 6 credits**

(keep this slide for your records)

