



Navigating the *NACHA Operating Rules* Module 8

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Goal/Session Objective

- At the conclusion of this session users will:
 - Understand the layout of the *NACHA Operating Rules* (the Rules)
 - Have strategies for using the Rule Book as a tool
 - Be able to answer “Where does it say that?”
 - Or not

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 & Appendices comprise the actual Rules
 - Guidelines are for reference, recommendations, and best practices
- Headings & Captions of subsections are not legally binding



ACH Rules Layout

Operating Rules

- Policy Statements
- Formal Interpretations
- Revisions
- Supplements
- Articles
- Appendices

Operating Guidelines

- ACH Primer
- ODFI Guidelines
- RDFI Guidelines
- Third-Party Service Provider Guidelines
- Resources

Appendices

Appendix One	ACH File Exchange Specifications
Appendix Two	Specifications for Data Acceptance
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	Rule Compliance Audit Requirements
Appendix Nine	Arbitration Procedures
Appendix Ten	Rules Enforcement
Appendix Eleven	Same Day ACH



Operating *Rules*

- Contract law
- Governs commercial ACH transactions
- OR = Operating Rules
- Organized by participant



What's In the OR Pages?

- Policy Statements
- Formal Interpretations
- Revisions
- Supplements
- Articles
- Appendices

Policy Statements

- Data Security
- Fraud Prevention and Risk Management
- ACH Data Breaches
- Terminated Originator Database
- Corporate Account Takeover

Formal Interpretations

- Issued by NACHA when ACH Rules need clarification
 - Proper use of SEC Codes: check conversion
 - Proper use of SEC Codes: Aggregation of Transactions
 - SEC Code guidance for recurring or multiple debits



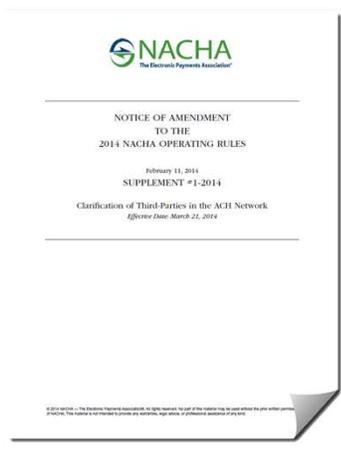
Revisions

- Summary of new ACH Rules



Supplements

- ACH Rules passed after Rules book has been printed



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 – Definition of Terms Used in These Rules

Articles

- General Rules
 - Applicable regardless of ACH payment type
- Specific Rules
 - Special handling of ACH payment types and exception processing

Exception Processing

- Need to “hop” between Articles to capture complete process
 - Responsibility of both ODFI and RDFI



Interpretation . . .

Time frames

- Banking Days
 - Any day the ACH Operator is open for business
- Calendar Days
 - Any day of the week

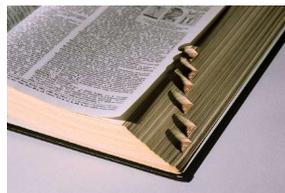


If "banking" or "calendar" days is not referenced,
you may assume "calendar" days apply.

Interpretation...

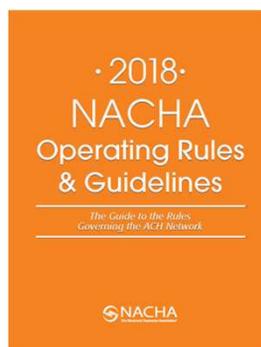
Article Eight - Definitions

- Defined terms have the first letter of the term capitalized



Operating Guidelines

- Implementation guidelines
- OG = Operating Guidelines



What's In the OG Pages?

- General Information
- ODFI Guidelines
- RDFI Guidelines
- SEC Codes
- Special Topics
 - Third-Party Service Providers
 - National System of Fines, Arbitration and Compensation
- Resources

Resources

- Table of SEC codes
- Issues to be addressed in Origination Agreement
- Retention schedule
- Sample authorization forms
- Sample Written Statement of Unauthorized Debit
- Report of Possible Rules Violation
- Links to other ACH processing publications

Let's go on a Scavenger Hunt...



Where Does it Say That?

- Question 1:
- What is the security requirement for transmitting Banking Related information through the ACH Network... And Where does it say that?



Where Does it Say That?

- Question 1:
- What is the security requirement for transmitting Banking Related information through the ACH Network... And Where does it say that?
- Answer:
 - Banking related information needs to be encrypted at a level that is commercially reasonable. Section 1.7

Where Does it Say That?

- 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?



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Where Does it Say That?

- 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?”
- **Section 1.13**
- For Extra credit – where can you find more information on the fee and any other fees?
 - **OR xix gives a full explanation of the fees**



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Where Does it Say That?

- Question 3:
- What Section of the Rule Book is dedicated to ODFIs, Originators and Third-Party Senders?



Where Does it Say That?

- Question 3:
- What Section of the Rule Book is dedicated to ODFIs, Originators and Third-Party Senders?

- Answer:
 - Article Two

Where Does it Say That?

- 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?



Where Does it Say That?

- 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?
- Answer:
 - The Revisions to the *NACHA Operating Rules and Guidelines* are located in the front of the book starting on ORXXVI

Where Does it Say That?

- 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?

- Question 5:
- Your customer service representative calls and states that a corporate customer had a WEB transaction post to their account 3 weeks ago that was unauthorized. Where does it say that?
- Answer:
 - Subsection 3.1.3

Where Does it Say That?

- 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?

- 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?
- Answer:
 - They can not return that Entry based on information that was accurately obtained from the MICR line
 - Subsection 3.8.1.2

Where Does it Say That?

- Question 7:
- A FI activated their contingency plan. Due to unforeseen circumstances, returns were sent late. Where does it say that this is acceptable?

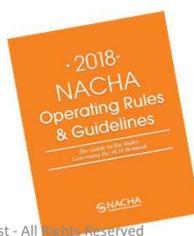


Where Does it Say That?

- Question 7:
- A FI activated their contingency plan. Due to unforeseen circumstances, returns were sent late. Where does it say that this is acceptable?
- Answer:
 - Excused Delay is found in section 1.5 and in Chapter 4 of the Guidelines

Where Does it Say That?

- 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?

- 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?
- Answer:
 - It doesn't say that. Section 2.3.2.5 b, says ODFI has to provide proof of authorization within 10 days for Consumer Entries. 2.3.3.3 (b) says they have to provide (at a minimum) contact information for the Originator of CCD, CTX or Non Consumer IAT Entries.

Where Does it Say That?

- Question 9:
- Your manager is asking you to show her where the timeframes are in the *NACHA Operating Rules* that say what the Same Day ACH processing windows are. Where would you find this information?

Where Does it Say That?

- Question 9:
- Your manager is asking you to show her where the timeframes are in the *NACHA Operating Rules* that say what the Same Day ACH processing windows are. Where would you find this information?
- Answer:
 - It's not in the *NACHA Operating Rules*, rather, it's in the Federal Reserve's processing schedule

Questions?



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