



**ACH Products
Module 2**

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ACH Products

- ACH products/applications are identified by specific Standard Entry Class (SEC) Codes
- SEC Codes identify
 - Formats/addenda requirements
 - Authorization requirements
 - Type of payment
 - Consumer and/or Non-Consumer payments
 - Debit and/or Credit Entries



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SEC Codes – Consumer Products

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PPD

- Prearranged Payment and Deposit Entry
- Authorization requirements
 - Pursuant to standing or single authorization
 - Debit Entry must be in writing and signed or similarly authenticated
 - Receiver must receive a copy of the debit authorization
 - Credit Entry does not require a written authorization



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WEB

- Internet-Initiated Entry/Mobile Entry
- Authorization requirements
 - WEB debit
 - Written authorization via Internet or Wireless Network or
 - Written and signed or similarly authenticated authorization and Receiver's instruction for the initiation via Wireless Network
 - WEB credit is for all P2P Entries regardless of manner of authorization



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WEB Debit

- Originator responsibilities
 - Establish and implement commercially reasonable systems to
 - Detect fraudulent transactions
 - Verify Receiver's identity (authentication)
 - Verify routing number validity
 - WEB annual audit to include
 - Physical security to protect against theft, tampering or damage
 - Personnel and access control to protect against unauthorized access and use
 - Network security to ensure secure capture, storage and distribution



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WEB Debit

- ODFI warranties for WEB Entries
 - Ensure Originators have established and implemented commercially reasonable systems to
 - Detect fraudulent transactions
 - Verify Receiver's identity (authentication)
 - Verify routing number validity



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WEB Debit

- Authentication vs. Authorization
 - Both provide protection to Receiver and Originator
 - Authentication
 - Confirms the identity of the Receiver
 - Protects Originator from fraudulent transaction
 - Protects Receiver from unauthorized use of account information
 - Authorization
 - Provides Originator permission to initiate transaction
 - Must provide means to revoke the authorization



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WEB Credits

- Allow a credit version of the WEB Standard Entry Class (SEC) Code for a P2P credit transaction for consumer to consumer transactions
 - Definition of “Person-to-Person Entry” or “P2P Entry”
 - A credit Entry initiated by or on behalf of a holder of a Consumer Account that is intended for a Consumer Account of a Receiver. A P2P Entry uses the Internet-Initiated/Mobile Entry (WEB) Standard Entry Class Code.
 - CIE is still only used for payments from a consumer to a company

WEB Credits

- Use of the WEB SEC Code is required, “regardless of whether the authorization is communicated via the Internet or Wireless Network”
 - Applies to all situations where a consumer requests money be moved to another Consumer Account, no matter how the request is made or who the owners on the accounts are!
- The WEB annual audit requirement for Originators only applies for debit entries
 - Does not apply to WEB credit entries (P2P entries)

WEB Credits

- **Formatting For WEB credits**
 - Company Entry Description field - value that lets Receiver know the entry is a P2P transaction
 - i.e. P2P
 - Company Name field - contains name of Provider (name of FI if they are the service provider)
 - i.e. First State Bank
 - Individual Identification Number field - contains name of Sender of P2P
 - Individual Name field - contains the name of consumer Receiver
 - Addenda Record allows up to 80 characters of payment related information in free form text however...



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WEB Credits

- No requirement for RDFI to provide Addenda Information to Receiver (RDFI discretion)
- Clarifies in Rules how Notifications of Change (NOCs) should be handled
 - ODFI or Third-Party Service Provider responsible for P2P Payments will make the changes
 - Single-entry NOCs are optional to respond to
- ODFI carries an indemnity and holds harmless the RDFI against any losses



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WEB Credits

Authorization Requirements

- Under the Rules, consumer credit transactions are held to different standards with regards to authorization requirements
 - Authorization of a credit Entry to a Consumer Account is not required to be in writing. If both the Originator and Receiver are natural Persons, no authorization by the Receiver is required, and no warranty with respect to any such authorization is made by the ODFI
 - Translation: P2P credit Entries do not need to be authorized in writing or similarly authenticated!

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WEB Credits

Statement Requirements

- RDFI still has an obligation to provide entry information to its Receivers, typically on periodic account statements
 - Company name/Originator name: For credit WEB Entries for P2P payments, the name of the consumer Originator is located within the Individual Identification Number field of the Entry Detail Record
 - Company Entry Description field
- ODFI must also make information available to consumer Originators of WEB credits

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TEL

- Telephone-Initiated Entry
- Authorization requirements
 - Pursuant to an oral authorization via telephone
 - Must have existing relationship between Originator and Receiver or Receiver must initiate call
 - Existing relationship is an agreement in effect or purchase within previous two years

TEL

- Authorization requirements for single Entry
 - Oral authorization must contain
 - Date on or after which the ACH debit will occur
 - Amount of transaction or reference to the method of determining the amount of the transaction
 - Receiver's name or identity
 - Account to be debited
 - Telephone number for Receiver inquiries
 - Date of Receiver's oral authorization
 - Statement that it is a single Entry
 - Originator must record and/or provide written notice to Receiver prior to Settlement Date
- For a recurring Entry

TEL

- ODFI additional warranties for TEL Entries
 - Originators have established and implemented commercially reasonable systems to
 - Verify Receiver's identity (authentication)
 - Verify validity of routing number
- Retention for single Entry TEL
 - Originators must retain for two years from date of authorization
 - Original or duplicate audio recording; or
 - A copy of the written notice
- Retention for a recurring TEL
 - Originators must retain for two years from termination or revocation
 - Original or duplicate audio recording of the oral authorization; and
 - Evidence that a copy of the authorization was provided to the Receiver in compliance with Regulation E




RCK

- Re-presented Check Entry
- Authorization requirements
 - Notice must be provided to Receiver in advance of receiving the item to which the RCK relates
 - Must be conspicuous
 - Must be clear and readily understandable
 - Used only when a check
 - Is returned Insufficient (NSF) or Uncollected Funds
 - Is for an amount less than \$2,500
 - Contains pre-printed serial number



RCK

- Originator responsibilities
 - Must retain a copy of the front and back of check for seven years from Settlement Date
 - Provide copy upon ODFI’s request
 - Must also be marked paid (if paid)




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Number of Presentments

- Number of presentments
 - Total of 3 presentments – item, item, RCK or item, RCK, RCK

Number of Presentments for an RCK – Three			
Check	Check	RCK	
Check	RCK	RCK	
Formatting Requirements			
Company Description Requirements		REDEPCHECK	



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RCK

- ODFI additional warranties
 - Good title
 - Signatures are genuine
 - Item not altered
 - No defenses
 - No knowledge of insolvency
 - Item will not be presented
 - Encoding is correct
 - Restrictive endorsement is void
 - Entry accurately reflects item



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POS

- Point of Sale Entry
 - Originated in a non-shared system in which no agreement other than the *NACHA Operating Rules* exists between ODFI and RDFI
 - Initiated using an access device
 - PIN security (ANSI ASC X9.8 standards)



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POS

- Requires Originators to make the following disclosures in written or electronic, retainable form to a consumer prior to activation
 - ACH Card is not issued by the consumer's financial institution (FI)
 - Entries made with the ACH Card that exceed the balance in the consumer's financial institution account may result in overdrafts and associated fees, regardless of Regulation E opt-in status
 - Benefits and protections for transactions made using the ACH Card may vary from those available through debit cards issued by the consumer's FI



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XCK

- Destroyed Check Entry
- No authorization requirement
- Primary uses
 - Collection of an item contained in a cash letter that is lost, destroyed or otherwise unavailable
 - Items that cannot be processed through applicable image exchange



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XCK

- Eligible Items
 - Must be less than \$2,500
 - Must be item within the meaning of Uniform Commercial Code Article 4
 - Non-Imageable Items
- Provision of Copy of Item
 - Copy of item must be retained for six years
 - Must provide in 30 days (upon RDFI written request) to the first DFI to which item was transferred, if different from ODFI

XCK

- ODFI warranties
 - Good title
 - ODFI has all necessary authority to initiate the XCK Entry
 - Signatures are genuine
 - Item not altered
 - No defenses
 - No knowledge of insolvency
 - Item will not be presented
 - Item is drawn on or payable through or at RDFI
 - Entry accurately reflects item

CIE

- Customer Initiated Entry
 - Entry initiated on behalf of, and upon instruction of, a consumer to transfer funds to a Non-Consumer Receiver
- Primarily result of consumer initiating a bill payment through third-party service (online bill payment) or online banking platform



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SHR and MTE

- Shared Network Entry
 - Originated in a shared system where an agreement, in addition to the *NACHA Operating Rules* exists between ODFI and RDFI
 - Initiated using a plastic card (access device)
 - PIN security (ANSI ASC X9.8 standards)
- Machine Transfer Entry (ATM)
 - Authorization requirements
 - Initiated at electronic terminal (defined by Regulation E)
 - PIN security (ANSI ASC X9.8 standards)
 - Primarily used for
 - ATM cash deposit or withdrawal



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SEC Codes - Corporate Products

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CCD/CTX

- CCD
 - Corporate Credit or Debit Entry
 - Up to 1 Addenda Record
- CTX
 - Corporate Trade Exchange Entry
 - Up to 9,999 Addenda Records
- BOTH CCD AND CTX
 - May be Zero-Dollar Entry
 - Authorization requirements:
 - Originator must obtain the Non-Consumer Receiver's agreement to be bound by the *NACHA Operating Rules*

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SEC Codes – Consumer and Non Consumer Products

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Check Conversion Products

- Authorization requirements
 - Notice language for ARC, BOC and POP
 - “When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.”
 - Additional language for BOC only
 - “For inquiries, please call [retailer phone number]”
 - Additional authorization requirement for POP only
 - Written authorization (signed receipt)



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Check Conversion Products

- Requirements for Eligible Source Documents
 - Must not contain an Auxiliary On-Us Field
 - Must be \$25,000 or less
 - Pre-printed Check Serial Number
 - Routing number, account number, and Check Serial Number encoded in magnetic ink
 - Completed and signed (except for POP Entries)



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Non-Eligible Source Documents

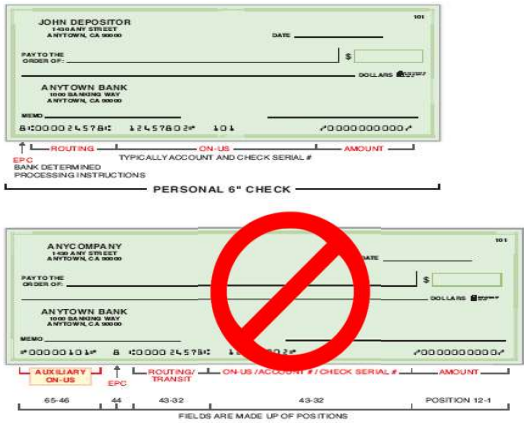
- Checks with Auxiliary On-Us field
- Third party checks
- Remotely created checks or drafts
- Checks that access credit lines
- Checks drawn on investment companies
- Obligations of financial institutions
- Checks drawn on U.S. Treasury, Federal Reserve Banks, Federal Home Loan Banks
- Checks drawn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



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Eligible and Ineligible Source Documents



Source: www.electronicpayments.org



Authorizations

- ARC
 - Conspicuous notice must be provided prior to receipt of Eligible Source Document
 - Received via U.S. mail or delivery service, drop-box, or in-person at a manned bill payment location
 - Provide copy of authorization notice to Receiver at time of transaction if payment received at manned bill payment location



Authorizations

- BOC
 - Eligible Source Document is presented at point-of-purchase or manned bill payment location for subsequent conversion during back-office processing
 - Notice must be posted in a prominent and conspicuous location; and
 - Copy of such notice also provided to the Receiver



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Authorizations

- POP
 - Eligible Source Document is presented at point-of-purchase or manned bill payment location for conversion
 - Notice must be posted in a prominent and conspicuous location; and
 - Copy of such notice also provided to the Receiver
 - Written authorization from Receiver (signed receipt)



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Originator Responsibilities

- **ARC & BOC& POP**
 - Initially use reading device to capture MICR line
 - May only key-enter to correct error
 - Retain a reproducible and legible copy of the front of the Eligible Source Document for two years
- **POP**
 - Must void Eligible Source Document and return to Receiver
- **Additional ARC & BOC Originator Responsibility**
 - Implement commercially reasonable methods to secure store
 - Eligible Source Documents until destruction
 - All banking information relating to the ARC/BOC Entry
- **Additional BOC Originator Responsibility**
 - Establish and implement commercially reasonable procedures to verify the identity of the Receiver
 - Establish and maintain a working telephone number (answered) during regular business hours

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POP Receipt Requirements

- Originator provides
 - Originator name (merchant)
 - Company (merchant/third-party service provider) phone number
 - Date of transaction
 - Transaction amount
 - Check Serial Number from Eligible Source Document
 - Merchant number (or other unique identifier)
 - Terminal city and state (as defined in Regulation E)
 - Originator must not place the Receiver's complete account number or complete identification on receipt

ODFI Warranties

- **ARC and BOC warranties**

- Entry information is accurate
- Eligible Source Document will not be presented for payment
- Retention of copy of Eligible Source Document and related payment data by Originator
- Provision of copy of Eligible Source Document to RDFI
 - Upon request, must be provided within 10 Banking Days
 - Must clearly mark "COPY" on its face

- **POP warranties**

- Return of voided Eligible Source Document
- Eligible Source Document must not have been used for prior POP Entry

- **Additional BOC warranties**

- Verification of identity of Originator/Third-Party Sender by ODFI
- Documentation of Originator
- Provision of Originator information to RDFI
 - Must provide within 2 banking days of written request
- Verification of identity of Receiver by Originator
- Customer service telephone number (Originator established)

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What is IAT?

- **Definition of International ACH Transactions**

- an ACH Entry that is part of a payment transaction involving a financial agency's office that is not located in the territorial jurisdiction of the United States

What is IAT?

- An office of a financial agency is involved in the payment transaction if it
 - Holds an account that is credited or debited as part of the payment transaction
 - Receives funds directly from a Person or makes payment directly to a Person as part of the payment transaction
 - Serves as an intermediary in the settlement of the payment transaction
 - Financial agency means an entity that is authorized by applicable law to accept deposits or is in the business of issuing money orders or transferring funds



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IAT

International ACH Transaction

- Not eligible for Same Day ACH
- Inbound to or outbound from the United States
- Part of a payment transaction involving a financial agency's office not located in the territorial jurisdiction of the United States
- 12 maximum Addenda Records
 - Seven mandatory
 - Five optional
 - Only two for Remittance information

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Other SEC Applications



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TRC/TRX

- Check Truncation Entry (TRC)
 - No Addenda Record allowed
- Check Truncation Entries Exchange (TRX)
 - Mandatory Addenda Record (up to 9,999)
 - Can contain multiple truncated checks

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COR

- Notification of Change
 - Identifies incorrect information and provides corrected data
- Correction Entry sent by RDFI
- Refused Correction Entry sent by ODFI
- Non-Monetary
- Optional

DNE

- Death Notification Entry
- Official notification of death
- Sent only by Federal Government
- Non-Monetary
- Addenda Record contains date of death, SSN, amount of next scheduled benefit payment

ENR

- Automated Enrollment Entry
- ACH enrollment method for Federal Government benefit payments
- Not eligible for Same Day ACH
- Non-Monetary
- Mandatory Addenda Records (up to 9,999)
 - Contains Receiver/Beneficiary information
- Used by the RDFI to enroll account holders in direct deposit of benefit payments



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ACK/ATX

- Acknowledgment Entry
 - ACK Payment Acknowledgment
 - Acknowledges the receipt of CCD credit
 - ATX Financial EDI Acknowledgment
 - Acknowledges the receipt of CTX credit
- Optional for all ACH participants (unless agreement exists between participants)
- Optional Addenda Record (1)
- Non-Monetary



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ADV

- Automated Accounting Advice Entry
- Sent by ACH Operator
- Advice of ACH accounting information
 - Machine readable format
- Non-Monetary
- Optional service



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Questions?



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