

Everything you wanted to know about ACH but were afraid to ask.

Payments Overview (ACH 101+)

July 30, 2020

Sharon Jablon
Director
Product Specialist

DISCLAIMER

The information contained herein has been prepared for general informational purposes only and is not offered as and does not constitute legal advice or legal opinions. You should not act or rely on any information contained herein without first seeking the advice of your legal counsel.



The Clearing House Systems and Services

TCH clears and settles ~\$2 trillion daily; nearly half the ACH, funds transfer, and check image payments in the U.S.

Payment Systems	
EPN®	<ul style="list-style-type: none">• TCH's EPN network is the private sector alternative to FedACH for clearing and settling ACH transactions and providing related services.• ~51% commercial market share
SVPCO™	<ul style="list-style-type: none">• Check Image Exchange provides a reliable, scalable, network with the ability to transport images efficiently wherever they need to go.• 40% market share
CHIPS®	<ul style="list-style-type: none">• CHIPS provides fast and final payments and the most efficient liquidity savings mechanism available today.• 40% domestic; 90% global USD clearing market share
RTP®	<ul style="list-style-type: none">• New industry infrastructure built to support real-time payments all financial institutions

Member Services	
TCHPA™	<ul style="list-style-type: none">• Payments information and education, professional services and rules support
ECCHO®	<ul style="list-style-type: none">• Check-related advocacy, rules, education and forum. Includes NCP certification program



Agenda

	<ul style="list-style-type: none">• ACH: In the Beginning
	<ul style="list-style-type: none">• ACH: Characteristics
	<ul style="list-style-type: none">• ACH: Participants and Payment Flow<ul style="list-style-type: none">– Routing Numbers– Credits, Debits & Settlement– ACH File Structure and Elements
	<ul style="list-style-type: none">• SEC Codes and Other Entries
	<ul style="list-style-type: none">• Electronic Data Interchange
	<ul style="list-style-type: none">• File Organization
	<ul style="list-style-type: none">• ACH Volume
	<ul style="list-style-type: none">• EPN Processing and Processing Schedule
	<ul style="list-style-type: none">• Exceptions
	<ul style="list-style-type: none">• Rules Enforcement
	<ul style="list-style-type: none">• Payment Systems Characteristics

What is ACH?

- The Automated Clearing House (ACH) is a payment mechanism used to transfer funds among financial institutions and their customers in a fast, less expensive, and more reliable mode than traditional methods
- A computer is at the center of this process, replacing checks and other paper items with electronic messages
 - A batch processing, store-and-forward system
 - May be either a credit or a debit Entry
 - Categorized as either consumer or corporate payments
 - Can be Government or Commercial
 - Typical Settlement: one or two days after processing
 - Now... SAME DAY processing and settlement if requested



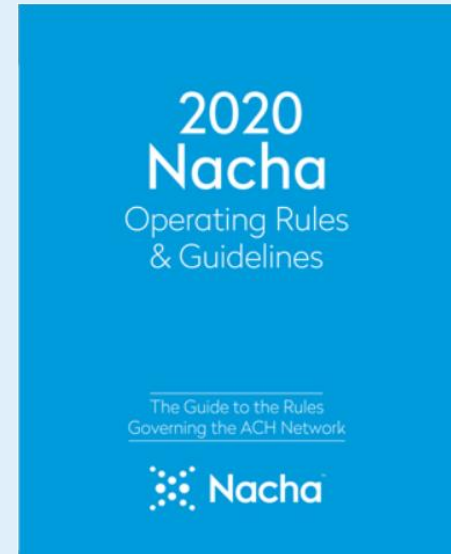
The ACH system was created in the early 70s and has been an important part of U.S. financial systems infrastructure ever since.



Nacha

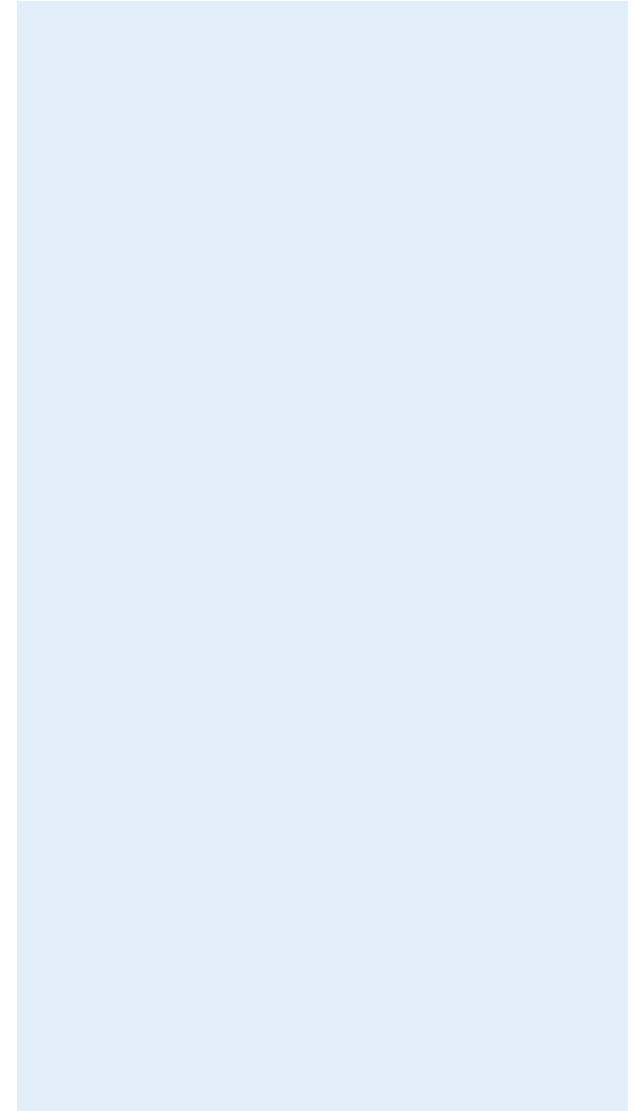
- The National Automated Clearing House (NACHA) Trade Association For National ACH Network
- Unites a payment network of financial institutions, businesses, and consumers in a national payments system
- Publishes annual Operating Rules and Guidelines
- Nacha website: **www.nacha.org**
- Nacha Operating Rules
<https://www.nacha.org/rules/operating-rules>
- Accredited ACH Professional (AAP) certification

Rules, rules and more rules!



The Clearing House's EPN and TCHPA

- Created in 1975 as “NYACH” to provide ACH Operator service to all financial institutions in the 2nd Federal Reserve District
- Changed name to “EPN” in 1999
- Provides ACH processing and related services to financial institutions of all sizes from coast to coast
- Also - TCH Payments Authority:
 - One of the Regional Payments Associations (RPA)
 - RPAs provide education, publications and rule interpretation



TCH payment network comparison

ACH	CHIPS	RTP [®] network
Batch processing, store-and-forward		
Credit or debit transactions		
Up to: \$<100M		
1 or 2 day credits/1 day debits with Same Day capability		
Typical Settlement: one or two days after processing. 2 Same Day windows / settlements. 3 rd window (March 19, 2021)		
Transactions can be returned or reversed		
Includes Remittance Information		
NACHA file formats		
Banks send files of transactions to EPN 7X24 we distribute to them on business days		
Other U.S. operators: Fed's FedACH		

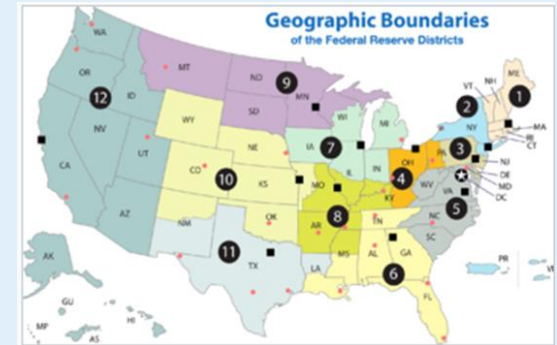
More later

Each payment type has a totally different transaction format and rules



Routing numbers (RTs)







- Nine digits that identify the financial institution (some have many RTs)
- Used by all FIs that participate in the U.S. ACH network
- Appears at the bottom of checks to identify the financial institution on which it was drawn (payer's bank)
- Assigned by Accuity - the official registrar
 - RTs can be looked up at the Fed website
<https://www.frbservices.org/resources/routing-number-directory/index.html?effectiveACHDate=2020-02-06&effectiveFedwireDate=2020-02-05>
- First two digits identify the Federal Reserve district (02 = NY and Northeast)

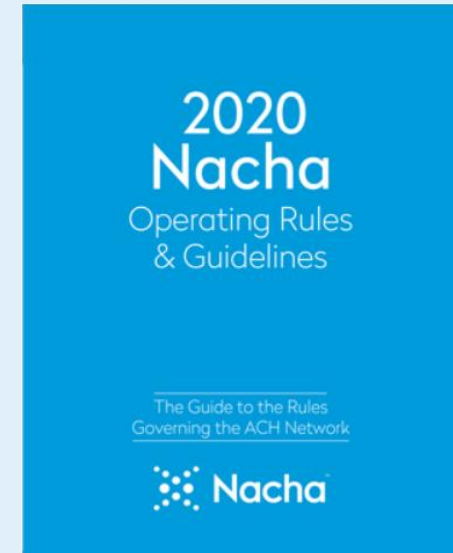


There are 12 Federal Reserve Districts



ACH Participants

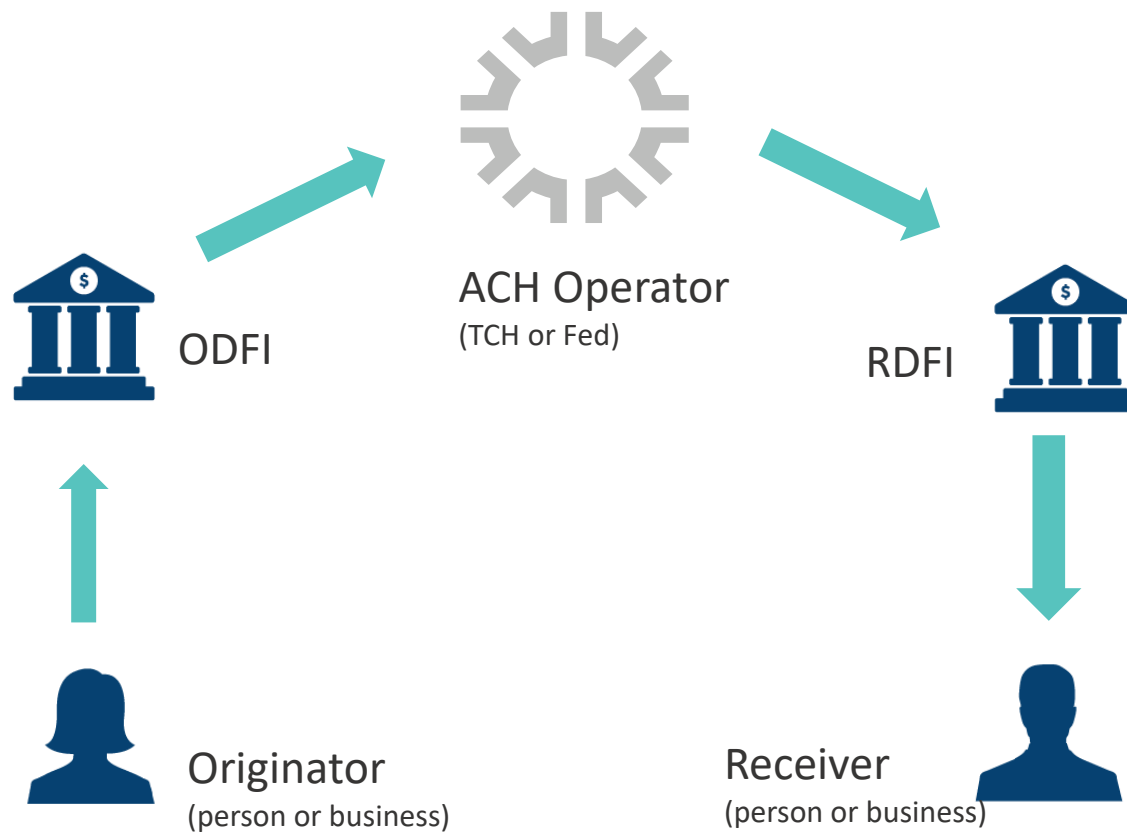
	Originator
	ODFI
	Operator
	RDFI
	Receiver
	Third Parties



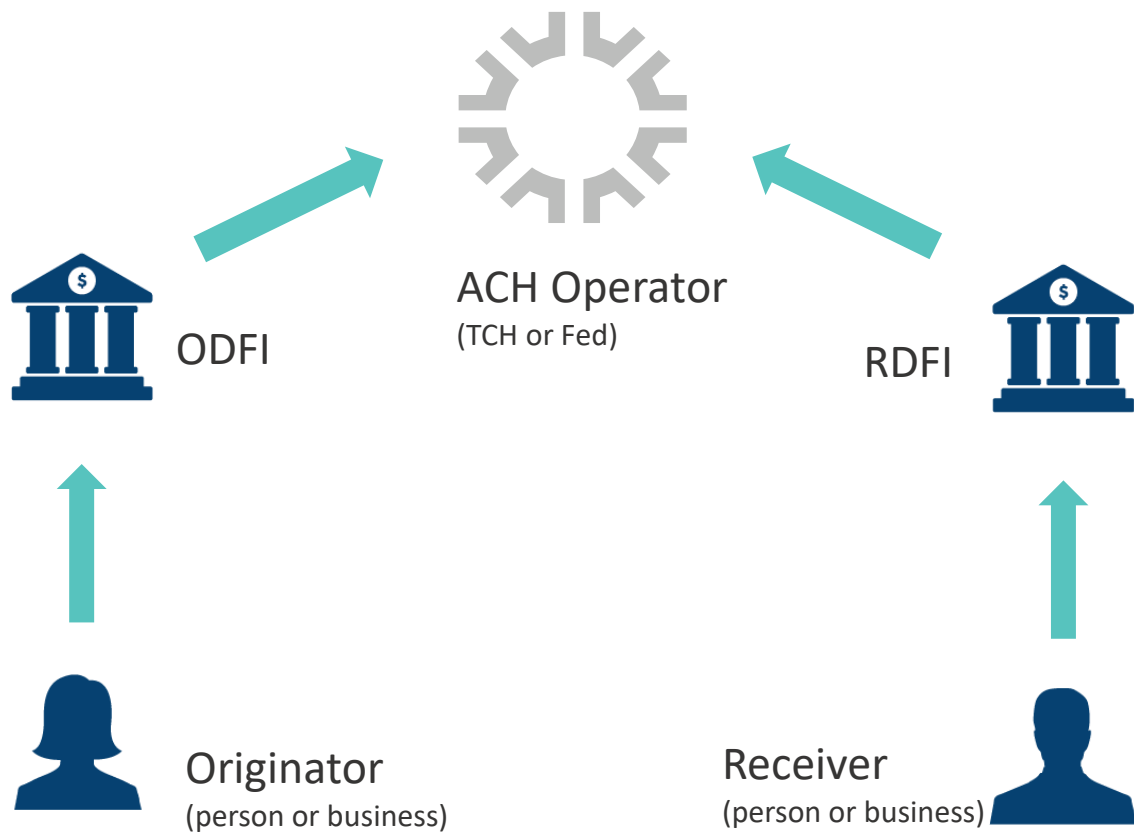
These parties have roles and responsibilities described in the *Nacha Operating Rules and Guidelines*






ACH Payments Flow (Credit Transaction)



ACH Payments Flow (Debit Transaction)





Network participants and their roles and responsibilities

	Originator	<ul style="list-style-type: none">• Creates a file of electronic entries for introduction into the ACH system to eventually reach Receiver• Company, individual, employer• Receiver authorization• Agreements with ODFI, with any other Third-Party
	ODFI	<ul style="list-style-type: none">• Receives the Entries from Originator, assembles and transmits the File to ACH Operator• Identified by routing number in Batch Header Record• ODFI warranty and responsibilities
	ACH Operator	<ul style="list-style-type: none">• Receives electronic files from ODFIs, sorts Entries and creates Files for distribution to member RDFIs• Currently 2 (FedACH and EPN)• Clearing, delivery & settlement services



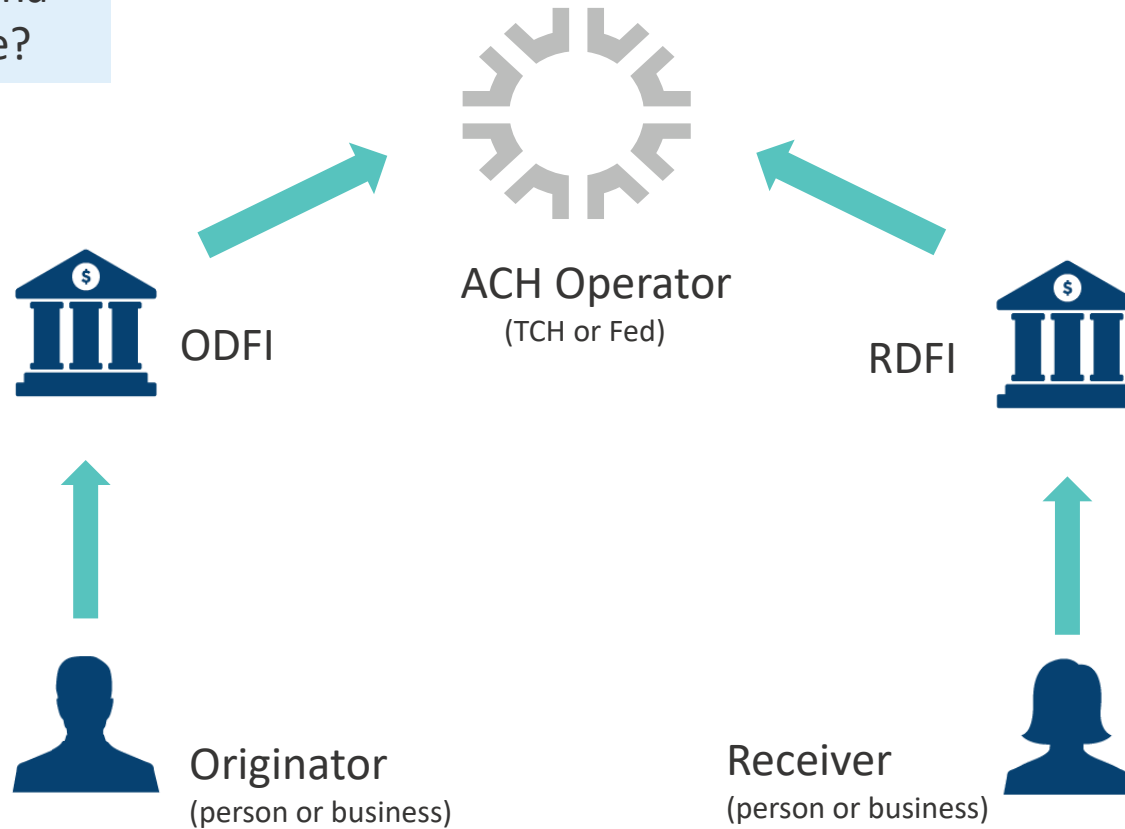
Network participants and their roles and responsibilities

	RDFI	<ul style="list-style-type: none">• Receives files of electronic Entries from the ACH Operator and posts them to Receiver accounts, also providing Receiver with a periodic statement• Responsibilities: timely posting, funds availability, periodic statement requirements
	Receiver	<ul style="list-style-type: none">• Authorizes the electronic Entry (credit or debit; corporate or consumer) to be applied to his/her DFI account• Corporate vs. Consumer Receivers• Receiver rights



ACH Payments Flow

Where is Nacha
in this picture?



Credits and Debit Settlement



What are ACH credits?

- ACH credits are used for both consumer and corporate payments
- The Originator initiates payment instructions to move funds into a Receiver's account
- The most common use is for Direct Deposit of Payroll



Interest Payments

Payrolls

Social Security Payments

Gov't Vendor Payments

Pensions

Dividends

State Tax Payments

Annuities



What are ACH debits?

- Originator initiates payment instructions to collect funds from a Receiver
- They are used by corporations for consolidation of funds from subsidiaries, regional or branch-type offices
- Debit transfers are used by consumers for mortgage payments, insurance premiums, and other recurring and non-recurring payment obligations



Club Dues
Insurance Payments
IRA, 401(k) Contributions
Gov't Savings Bonds
Utility Bills
Mortgage Payments
Point of Sale Payment
Holiday Club Payments



ACH settlement

- Actual transfer of funds between financial institutions to complete payment instruction of an ACH Entry
- Provided by Federal Reserve Bank
- ACH Operators calculate net debit and credit positions of FIs
- Figures are reflected on Statements of Activity (Advices) –
 - Advices issued to FIs and to Federal Reserve Bank
 - Any transaction the Fed touches the Fed settles
- Actual Settlement takes place in the morning on Settlement Date @ 8:30AM ET
 - Occurs on FRB Banking Days only (M-F, minus the 10 Federal holidays)
- With Same-Day there are 2 additional settlements
 - 1:00PM ET and 5:00PM ET
- EPN sends the FRB 3 Settlement files/banking day
 - They contain the net credit or debit position of our banks



ACH file terminology

Record	<p>ACH File format consists of</p> <ul style="list-style-type: none">• 6 different types of Records (#1, #5, #6, #7, #8, #9)• Each taking up 94 spaces and divided into different fields of information relating to that Record type
File	<p>Group of ACH batches initiated into the ACH Network</p>
Batch	<p>Group of Records considered as a single unit for purpose of data processing</p>
Entry	<p>Electronic entry representing the transfer of funds in the ACH</p>
Field Inclusion Requirements (Appendix 3, Part 3.2.1)	<ul style="list-style-type: none">• Mandatory – needed for ACH Operator to edit & process• Required – may cause reject at RDFI if not filled out• Optional – Originator's / ODFI's discretion



Structure of ACH file

Record Sequence

File Header	Where did it come from and where is it going?
Batch Header	What Company is it from and what is it?
Entry detail 1	What is the RDFI, Receiver and amount?
Entry detail 2	
Entry detail 3	
Batch Control	
Batch Header	How many transactions and total amounts?
Entry detail 1	Remittance information for the payment
Addenda	
Batch Control	
File Control	Grand total of transactions and amounts



1
5
6
7
7
7
7
7
7
6
7
7
7
7
7
7
8
9
9



Record specifications (Appendix One)

- Only 1 File Header Record per ACH file (1)
- Only 1 File Control Record per ACH file (9)
 - Within each ACH file, there can be multiple Batches
 - Only **1 Batch Header Record per batch (5)**
 - Only **1 Batch Control Record per batch (8)**
 - Within each batch, there can be **multiple Entry Detail and Addenda Records (6 & 7)**
 - Number of Addenda Record(s) are determined by Standard Entry Class code (in Batch Header Record)
 - Addenda Records are additional payment-related information that pertain to the Entry Detail Record they are attached to



ACH files contain a mixture of transaction types Standard Entry Class Codes (SECs)

- **FI's input (origination) and output (distribution) files** may contain:
 - Pre-notifications
 - Credits & Debit Entries
 - Dishonored Returns &/or Refused Notification of Changes
 - Reclamations
 - DNEs (Death Notification Entries)



Entries include transaction codes

- 2 Digit Code Indicating
 - Debit, credit, or Non-Monetary Entry
 - Type of Account: Demand, Savings, General Ledger or Loan
 - Used for the code: Prenote, Automated Return, Automated Payment, etc.
- Examples of Common Transaction Codes:
 - 22 – Demand Credit, Automated Deposit
 - 27 – Demand Debit, Automated Payment
 - 32 – Savings Credit, Automated Deposit
 - 37 – Savings Debit, Automated Payment



Posting (by RDFI) of ACH entries

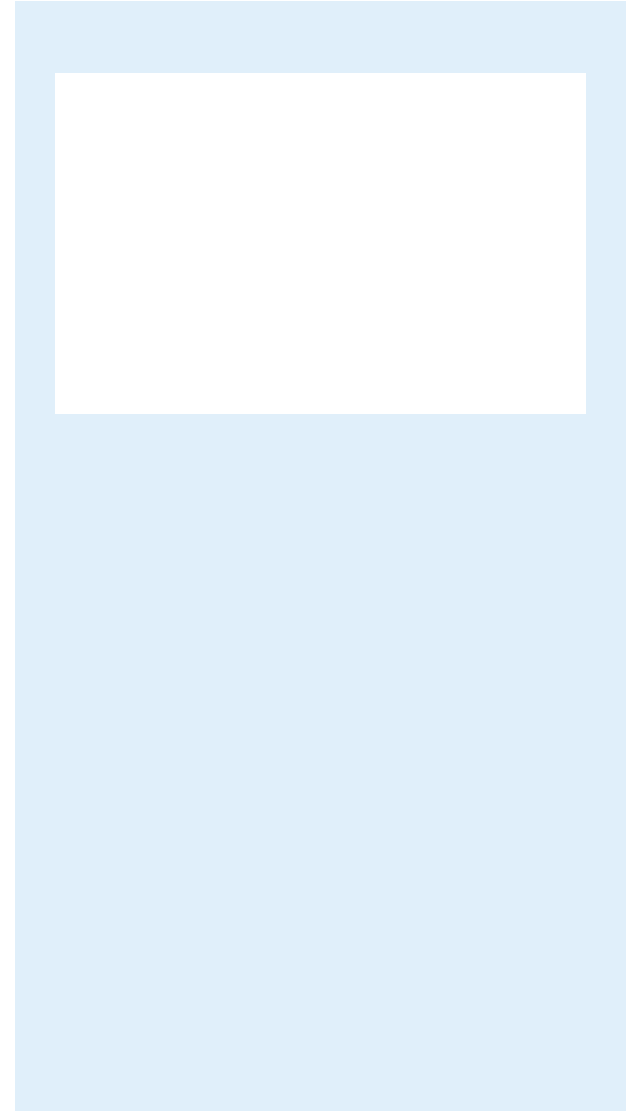
- Posting to Receiver's account is determined by the Settlement Date (not the Effective Entry Date)
- Debits: Not before the Settlement Date
- Credits: No later than the Settlement Date
- RDFI may rely solely on the account number for posting
- Funds availability
 - Consumer credits made available to RDFI by 5 p.m. local time the day before the Settlement Date must be available for cash withdrawal by opening of business on the Settlement Date
 - The later of 9 a.m. or when teller facilities (including ATMs) are available for customer account withdrawals



RDFIs are responsible for posting entries and for providing funds availability



SEC Codes and Other Entries



Standard Entry Class Code (SEC)

Consumer Codes

- CIE – Customer Initiated Entry
- DNE – Death Notification Entry
- ENR – Automated Enrollment
- PPD – Prearranged Pay/Deposit
- RCK – Represented Check
- TEL – Telephone Initiated Entry
- WEB – Internet-Initiated/Mobile Entry
P2P Credits

Corporate Codes

- ACK, ATX - Acknowledgements
- CCD – Corporate Credit or Debit
- CTX – Corporate Trade Exchange

Consumer/Corporate Codes

- ARC – Accounts Receivable Entry
- POP – Point of Purchase
- BOC – Back Office Conversion
- TRC, TRX - Truncated Checks
- XCK – Destroyed Check Entry
- IAT – International ACH Transaction

Debit Card/POS Entries

- MTE – Machine Transfer Entry
- POS, SHR – Point of Sale, Shared

Other Codes

- ADV – Statement of Activity – ACH format
- COR – Correction (NOC)



Financial EDI (FEDI)

- EDI is Electronic Data Interchange
- The electronic exchange of payments, payment-related information or financially-related documents in standards formats between business partners
- **If requested** by an RDFI's Corporate Receiver, the RDFI must provide the Financial EDI information from the ACH Addenda Records to their Corporate Receiver by the opening of business on the 2nd Banking Day following the Settlement Date of the ACH Entry to which it applies (*Article 3*)

... More about EDI later

CCD+
1 addenda record

CTX
Up to 9,999
addenda records



ACH file example

- [illegible]



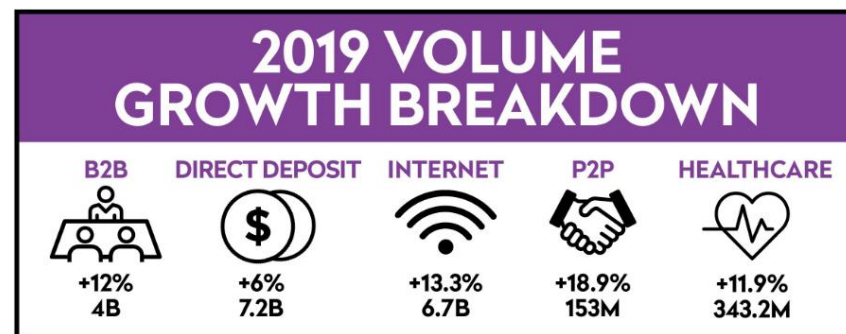
Nacha file with two Healthcare CCD+ transactions and other transactions

Healthcare				Entry Description	
101 888888884 9001020081210050140F094101	Bank of U.S.A.	NEW YORK ACH	X		
5200	ANDERS CONSULTNG	9005123690PPDDIST	9410069410112841271000010000059		
622221000128123456789	0000973875	LADEE DA	1271000013907752		
705	NTE*PMT*DIST\		00013907752		
622221000128723456789	0000111009	MARY SMITH	1271000013907752		
705	PAYROLL INFORMATION ID 2345		00013907752		
622221000128823456789	0000077009	SAM WINKEE	1271000013907752		
705	PAYROLL INFORMATION ID 45002311		00013907752		
82000000020002100012000000000000000009738759005123690			271000010000059		
5200	ENTERPRISE INS	9UA-3333IDCCDHCCCLAIMPMT	1210052041221000020383780		
622221000128523456780	0085772616NY1025010	DR WALKER	1221000020383781		
705	TRN*1*12345*1222298765*999999\		00010383781		
820000000200042309550000159789410000008425361943054016			271000150000083		
5200	SUNSHINE INSURA	1PLAN999DCCDHCCCLAIMPMT	1210052051221000020383780		
622221000128523456777	0020072616NY1025010	MAXIMUM HOSPITAL	1221000020383781		
705	TRN*1*75345*1929292989*999800~		00010383781		
82000000020002100012000000000000000857726169UA-TAX-DC			221000020383780		
5200	BMW FINANCIAL SV	1222568977CIECNTRCTPYMT	9410072801244000030000277		
622221000128623456789	00038246846577510036	LASSERI, MERRYL	1244000032530475		
705	LASSERI, MERYL		00012530475		
8200000002000210001200000000000000038246841222568977			244000030000277		
9000005000039000000120012631003000015978941000093646613					



ACH Network Statistics 2019 Volume

- 24.7B Transactions Valued at \$55T
 - 14.4 Billion Debits
 - 10.3 Billion Credits
- 98.4M Transactions/day
2.0B Transactions/month
- Volume has increased by more than 1B transactions every year for the last 5 years
- Value has increased by more than \$1T every year for the last 7 years



• Source – <https://www.nacha.org/system/files/2020-02/2019-ACH-Volume-Value-Infographic-Feb%202020.pdf>

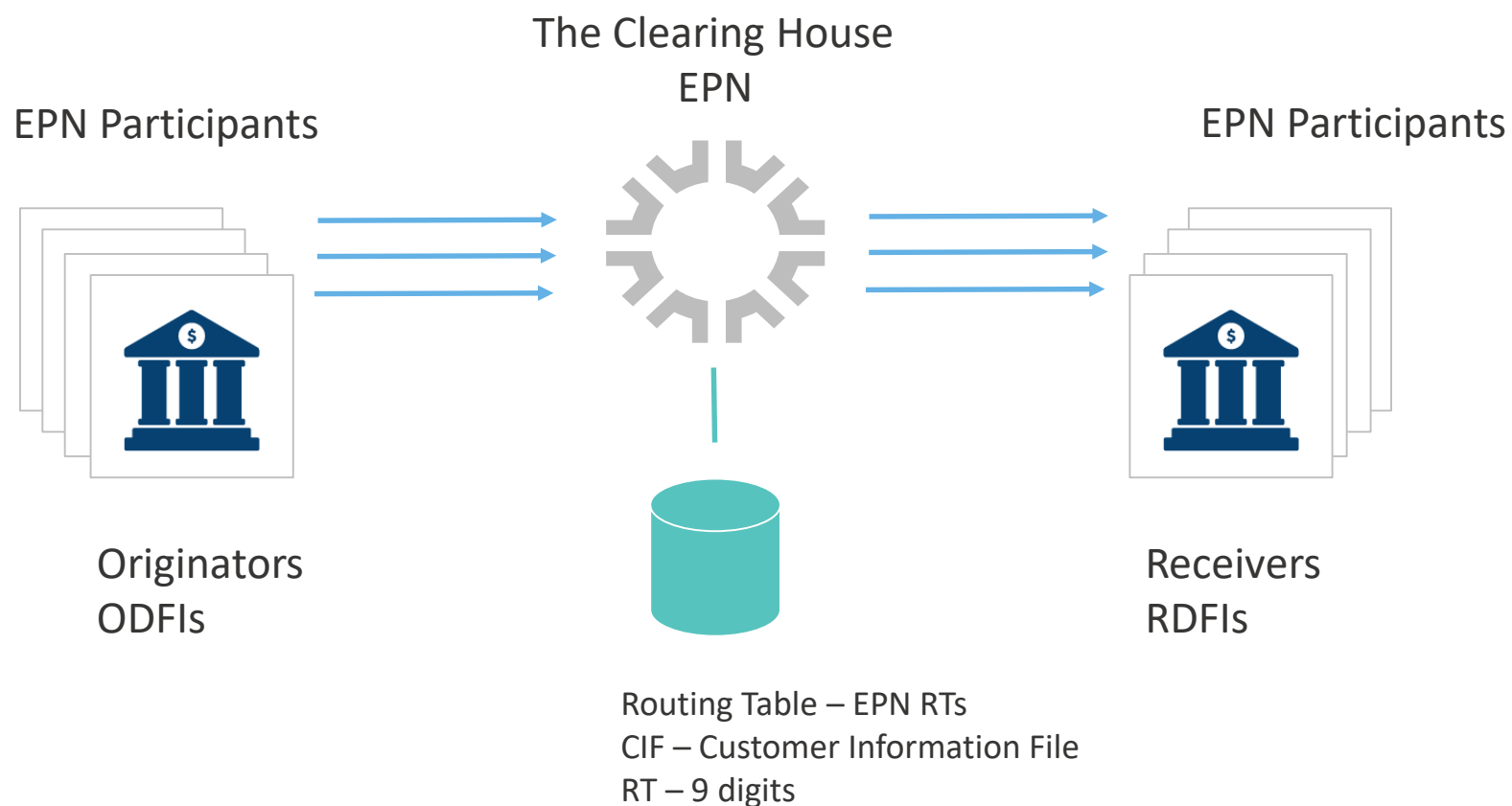


EPN ACH processing

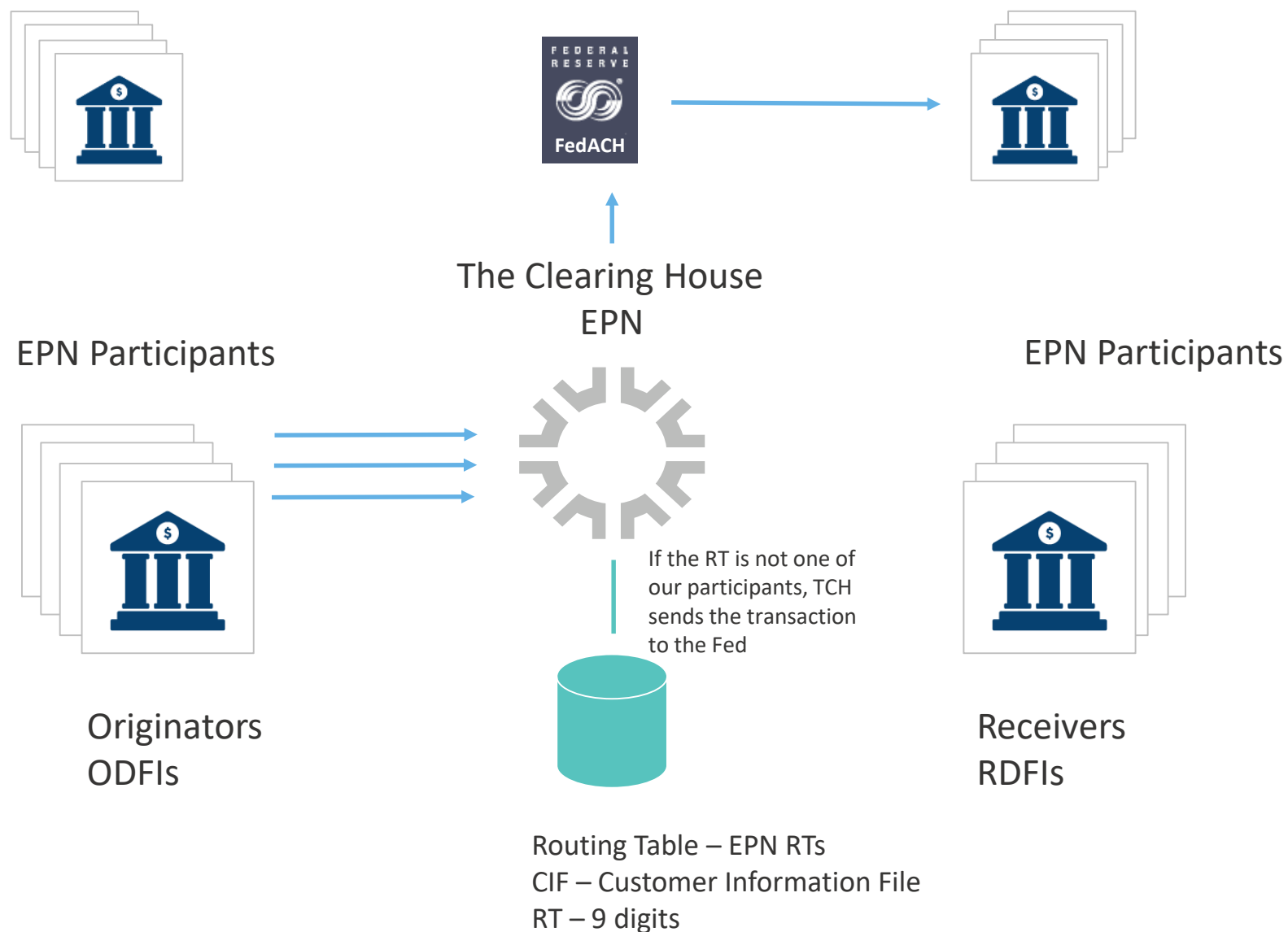
- Files come into EPN from EPN banks (ODFIs) and the Fed
 - All in Nacha format
- TCH reads and processes all lines in all files
 - Edit for correctness (reject/return errors)
- We route each transaction to the appropriate receiving bank (RDFI) based on RT
- Following the processing schedule, TCH delivers to the banks (RDFIs) approximately seven times/day
- The processing day window opens at 6:00 AM ET



ACH processing between EPN participants – Intra EPN



ACH processing from EPN participants to Fed participants – Inter EPN



How do we bill for ACH processing?

- Transactions/Entry Records (e.g. CCD, PPD, CTX) Nacha 6 records
- Addenda Records Nacha 7 records
 - CCD, PPD, CIE each can have 1 addenda record
 - CTX can have 9,999 records

In General



EPNAccess snapshot of originated files

<div>HOME</div> <div>ACES</div> <div>RETURNS</div> <div>ADMINISTRATION</div>										
<div>ACH Returns</div> <div>Notification of Change</div> <div>Dishonored and Contested</div>										
<div>ACH Files</div> <div>Schedule</div> <div>Transmission Files</div>										
<div>ACH FILES</div> <div>Originated Files</div>										
FILE DATE	MODIFIER	TIME	ITEMS	DEBITS	CREDITS	CYCLE	BATCHES	REJECTED BATCHES	RETURNED ITEMS	PROCESSING STATUS
170918	O Scheduled:	09:30	28	\$78,428.37 Received:	\$275,308.29 09/18/17@11:14:02		13 Processed:	0	0	RECV&NOT SCHED
171102	A Scheduled:	13:45	24	\$2,800.00 Received:	\$800.00 11/03/17@12:13:10		12 Processed:	0	0	RECV&NOT SCHED
171108	A Scheduled:	11:00	24	\$10,888.00 Received:	\$1,800.00 11/03/17@18:01:36		12 Processed:	0	0	RECV&NOT SCHED
171108	A Scheduled:	11:00	24	\$10,888.00 Received:	\$1,800.00 11/03/17@18:44:24		12 Processed:	0	0	RECV&NOT SCHED DUP
171108	A Scheduled:	11:00	24	\$10,888.00 Received:	\$1,800.00 11/05/17@14:59:05		12 Processed:	0	0	RECV&NOT SCHED DUP
171103	D Scheduled:	11:15	19	\$4,241.17 Received:	\$29,271.00 11/05/17@22:09:49		11 Processed:	0	0	RECV&NOT SCHED DUP
171108	C Scheduled:	11:00	48	\$21,778.00 Received:	\$3,800.00 11/08/17@14:37:12		24 Processed:	0	0	RECV&NOT SCHED
171118	D Scheduled:	13:45	105	\$270,623.51 Received:	\$228,077.51 11/15/17@12:52:11		57 Processed:	0	0	RECV&NOT SCHED
171118	N Scheduled:	15:45	411	\$357,422.53 Received:	\$264,439.00 11/18/17@15:01:42		219 Processed:	0	0	RECV&NOT SCHED
180123	A Scheduled:	11:00	24	\$21,488.71 Received:	\$2,579.50 01/28/18@10:51:52		12 Processed:	0	0	RECV&NOT SCHED
180201	Z Scheduled:	11:00	24	\$21,488.71 Received:	\$2,579.50 02/02/18@13:37:16		12 Processed:	0	0	RECV&NOT SCHED



Nacha file with one batch – CTX that describes three invoices

Remittance Information (EDI)

[illegible]

5 = Batch Header Record

6 = CTX Corporate Entry Detail Record

7 = CTX Addenda Record



EPN STP 820 – three invoices (formatted)

ISA*00* *00* *30*311234567 *14*9088877320000 *030129*1011*U*00401*000000001*0*P*~\
GS*RA*311234567*9088877320000*20030129*1615*1*X*004010STP820\
ST*820*0001\
BPR*C*120.01*C*ACH*CTX*****1311234567**01*024000021*DA*182389281*20030129\
TRN*1*EP10019\
N1*PR*JONES PLUMBING*91*123456789012345\
N1*PE*SMITH FAUCETS\
ENT*1\

RMR*IV*392039493020330.01*40.01*2\
REF*R7*3920394930203*SPOKE WITH MS. JONES \
DTM*003*20030123\
ADX*-8*01*TD*USED CATALOG 199JAN2003**

RMR*IV*25422122250045*50.01*4\
REF*PO*5722319*MARKETING DEPARTMENT ORDER\
DTM*003*20030125\
ADX*-1.01*04**

RMR*R7*2122250045**

SE*16*0001\
GE*1*1\
IEA*1*000000001\



Customer experience ACH electronic payments and accounting software



TCH using Great Plains
Dynamics Accounts
Payable



TCH's
Bank



Verizon's
Bank



Accounting Software

File Edit View Window Help

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

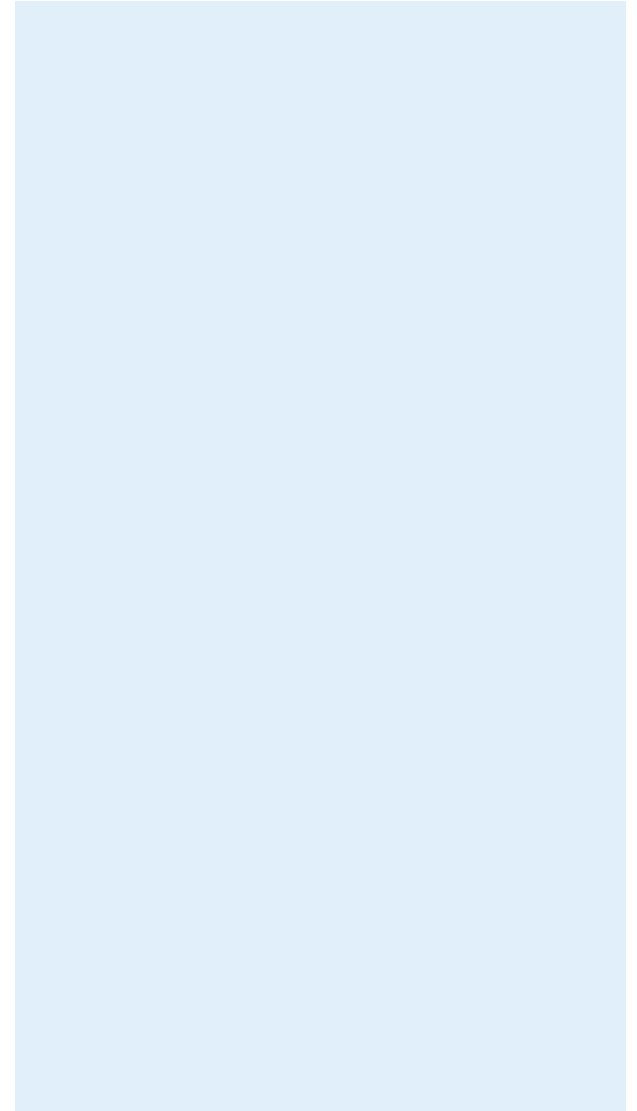
Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting Software - [Company Name] - [Date]

Accounting

Exceptions



Notification of change COR – Correction

- Notice of incorrect or outdated information contained in an ACH Entry
- RDFIs to transmit within two Banking Days of Settlement Date
- ODFIs to provide information to Originator within two Banking Days
- Originator to make the change(s) within six Banking Days of receipt or before the next entry is initiated, whichever is later.
 - Nacha Rules provide change codes for NOC Entries



Return entries

- RDFIs can return an ACH entry for any valid reason
 - Closed account
 - Frozen account
 - Insufficient funds
 - Unable to locate account
- The Rules state that the timeframe for returning an ACH Entry, including unauthorized corporate (CCD, CTX - R29) must be such that ...
- The Return Entry is available to the DFI no later than the opening of business on the 2nd Banking Day following the Settlement Date of the Entry
- Returned Entries may be re-initiated by the Originator/ODFI if the Entries were returned for
 - Insufficient or Uncollected Funds
 - Limit of 2 re-initiation attempts if NSF / Uncollected (RCK exception)
 - Stop Payment, and Receiver authorizes re-initiation
 - Misinformation and corrective action has been taken to remedy reason for Return



Rules Enforcement

ACH Audit Requirements

National System of Fines

Contents of 2020 Nacha Operating Rules and
Guidelines



Network Enforcement Rule: national system of fines

- Each participating DFI is subject to the rules enforcement requirements and DFIs will be held liable and accountable for any violations of the Rules and may have fines imposed against them



**National System of Fines
within the *Nacha*
Operating Rules ensures
compliance with the
requirements of the Rules**



Network enforcement rule

Classifications and System of Fines

- **Violation level – Class 1 (1st, 2nd, or 3rd recurrence)**
 - Fines range from up to \$1,000, \$2,500 and up to \$5,000
- **Violation level – Class 2 (willful disregard)**
 - Fines range from up to \$100,000 per month
- **Violation level – Class 3 (significantly harmful)**
 - Fines range from up to \$500,000 per month
 - Panel may direct the ODFI to suspend the Originator from the Network
- **Suspension**



TCH payment network comparison

ACH	CHIPS	RTP [®] network
Batch processing, store-and-forward	Individual transactions	Individual transactions
Credit or debit transactions	Credits only	Credits only
Up to: \$<100M	Up to: \$ 10B	\$100,000 individual payment limit today
1 or 2 day credits/1 day debits with Same Day capability	Real-time Hybrid/Net Settlement	Immediate availability of funds 24/7
Typical Settlement: one or two days after processing. 2 Same Day windows / settlements. 3 rd window (March 19, 2021)	Real-Time Hybrid/Net Settlement Liquidity savings mechanism	Immediate clearing and settlement
Transactions can be returned or reversed	Finality – no returns	Finality – no returns or reversals/recalls
Includes Remittance Information	Includes Remittance Information	Includes non-financial messages, such as RfP (request for payment), acknowledgement, remittance etc.
NACHA file formats	Being rewritten to use ISO 20022	ISO 20022 Formats
Banks send files of transactions to EPN 7X24 we distribute to them on business days	9:00AM – 5:00PM ET	24x7 clearing and settlement, with immediate confirmation of payment to sender
Other U.S. operators: Fed's FedACH	Other U.S. operators: Fed's Fedwire Real Time Gross Settlement	Other U.S. Operators: none Fed's FedNow being designed

Each payment type has a totally different transaction format and rules





Contact:

Sharon Jablon

212.613.0178

sharon.jablon@theclearinghouse.org

