



2014 *ACH Rules* Update for Originating Companies



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SIGNIFICANT IMPACT TO ORIGINATORS

ACH Security Overview

Effective September 20, 2013

This *ACH Rule* requires Originators to establish, implement and (as appropriate) update security procedures relating to the initiation, processing and storage of entries.

IMPACT TO CORPORATE USERS: First, each Originator needs to evaluate its current security policies, procedures and systems to ensure the company identifies safeguards to protect ACH information (non-public information, including financial information of customers). This includes the collection of ACH information from customers, storage of authorizations, destruction of documents that include customers' banking information and access to non-public information about customers.

Security policies, procedure and systems must:

- Protect the confidentiality and integrity of the protected information,
- Protect against anticipated threats or hazards to the security or integrity of protected information until its destruction and
- Protect against unauthorized use of protected information that could result in substantial harm to the customer.

If an Originator does not have up-to-date security policies, procedures and systems to ensure the company identifies safeguards for protected ACH information, they must be developed as soon as possible.

While the *ACH Rules* do not require an Originator to compete an *ACH Rules* Compliance Audit, the ODFI/Originator Agreement allows the ODFI to audit corporate Originators. So, if an ODFI chooses to audit its Originators, the corporate user should be willing and able to prove compliance with the *ACH Rules*.

For more information on protecting your customer's personal information, visit the [Federal Trade Commission](#).

Non-Consumer Receiver's Obligation to Credit Originator's Account - Editorial Clarification

Editorial Clarification

Effective March 21, 2014

This *ACH Rule* clarifies that when a company receives a credit entry from one of its customers, the company receiving the credit must apply that credit to the customer's account no later than settlement date of the credit entry.

IMPACT TO CORPORATE USERS: Corporate ACH Originators must apply credits transactions that they receive the same day as they receive the credit.

For example, if Company A gets a credit to its checking account today from Mark, they must apply the credit to Mark's accounts receivable account no later than today.

While this is not a new *ACH Rule*, this editorial change makes it even more clear that this is a necessary practice when using the ACH Network.

Third Party Sender - Clarified Definitions and Audit Requirements

Effective March 21, 2014

This amendment provides a new definition of a Third-Party Sender that addresses several areas of confusion or uncertainty about the role of a Third-Party Sender. The new definition focuses on two fundamental characteristics of the relationships among Third-Party Senders, Originators and ODFIs:

1. The ACH Third-Party Sender acts as an intermediary between the Originator and a financial institution and
2. The ACH Third-Party Sender (rather than the Originator) has the Origination Agreement with said financial institution.

IMPACT TO CORPORATE USERS: If an organization falls under the definition of an ACH Third Party Sender through this clarified *ACH Rule*, it must perform all its obligations under the *ACH Rules*, including the performance of an *ACH Rules* Compliance Audit. This clarification should make it easier for organizations to determine whether they are an ACH Third-Party Sender or not.

Proof of Authorization for Non-Consumer Entries

Effective September 19, 2014

This change permits a financial institution to request proof of authorization for a CCD and CTX.

IMPACT TO CORPORATE USERS: This amendment requires the Originator's financial institution to provide of authorization for a CCD, CTX, if requested. The financial institution must provide the required information at no charge within ten banking days of receiving a written request.

The *ACH Rule* also requires the ACH Originator to provide such proof of authorization to the ODFI for its use.

If an authorization for a CCD or CTX are difficult or impossible to obtain because they are contained within extensive and proprietary trading partner agreements, the financial institution can provide contact information about the ACH Originator so the receiving company may contact the ACH Originator directly.

Prenotification Entries Waiting Period

Effective September 19, 2014

This change permits an ACH Originator that has originated a prenotification initiate subsequent ACH entries as soon as the third banking day following the settlement date of the prenote.

IMPACT TO CORPORATE USERS: With this *ACH Rule* change, the ACH Corporate Originator may initiate a live dollar ACH entry (if no return or NOC related to the prenotification is received) by the opening of business on the second banking day following the settlement date of the prenotification.

If the ACH Originator receives a return or Notification of Change on the prenote, the ACH Originator is not permitted to send future entries to an account until it has remedied the reason for the return or made the correction requested by the Notification of Change.

Keep in mind, that prenotes are an optional practice, and are not required by the *ACH Rules*. If an ACH Corporate Originator does not choose to wait the three banking days required by this *ACH Rule*, it should avoid sending a prenote altogether.

Unintended Credit to a Receiver

Effective March 20, 2015

ODFI's Right to Dishonor a Debit Return that Causes an Unintended Credit to the Receiver

The new *ACH Rule* establishes the right of an ACH Originator or its financial institution to dishonor the return of a debit entry if the return entry results in an unintended credit to the receiver because:

1. The return entry relates to a debit that was sent erroneously or is reversing an erroneous credit,
2. The ODFI has already originated a credit reversal to correct the erroneous entry, and
3. The ODFI has not received a return of that erroneous credit or credit reversal.

The amended *ACH Rule* defines a new dishonored Return Reason Code (R62 – Return of Erroneous or Reversing Debit) for this purpose.

RDFI's Right to Contest a Dishonored Return Involving an Unintended Credit to Receiver

The *Rule* also establishes the right of an RDFI to contest this type of dishonored Return if either of the following conditions exists:

1. The RDFI returned both the Erroneous Entry and the related Reversal; or
2. The RDFI is unable to recover the funds from the Receiver.

The new *ACH Rule* defines a new contested dishonored Return Reason Code (R77 – Non-Acceptance of R62 Dishonored Return) for this purpose.

IMPACT TO CORPORATE USERS: ACH Corporate Originators must understand the use of and be able to dishonor Returns as R62 – Return of Erroneous or Reversing Debit by March 2015.

ACH Corporate Originators must also understand the use of and be able to accept Contested Dishonored Returns as R77 – Non-Acceptance of R62 Dishonored Return.

LITTLE OR NO CHANGES FOR CORPORATE USERS

Errata

Subsection 3.7.2

Effective January 1, 2014

Due to an error, the first paragraph in Subsection 3.7.2 should not have been printed in the *ACH Rules* book. Only the 2nd paragraph in this Subsection is valid.

IMPACT TO CORPORATE USERS: This change is editorial in nature. Corporate users should make note of this deletion in their 2014 *ACH Rules* Books.

Use of Tilde as a Data Segment Terminator

Effective March 21, 2014

This amendment corrects two IAT field descriptions to include the tilde (“~”) as a valid data segment terminator.

IMPACT TO CORPORATE USERS: Corporate users should understand that the “~” is an effective data segment terminator in addenda of all Standard Entry Class codes.

Reclamation Entries

Effective March 21, 2014

This updated *ACH Rule* states that a written authorization is not necessary to send a debit to reclaim a benefit payment after a beneficiary has passed away.

IMPACT TO CORPORATE USERS: Since it is impossible to get an authorization after a person is deceased, this change should have no impact on the corporate user.

Incomplete Transaction Clarifications

Effective March 21, 2014

This amendment recognizes certain ARC, BOC and POP Entries to non-consumer accounts as eligible for return under the Incomplete Transaction Rule. The change restores the RDFI's ability under the *ACH Rules* to rely solely on the Standard Entry Class code when determining handling requirements for specific types of ACH entries.

IMPACT TO CORPORATE USERS: Since the intent of the Incomplete Transaction Rule, originally effective in 2013, was to include all scenarios where an Incomplete Transaction could occur, this clarification should have little to no impact on the corporate user.

IAT Modifications

Effective March 21, 2014

The IAT Modifications revise the *ACH Rules* to update formatting of International ACH Transactions (IAT). These amendments facilitate more accurate screening and compliance with OFAC sanctions policies by ACH participants, specifically the ACH Gateway.

IMPACT TO CORPORATE USERS: This *Rule* effects International Gateways and RDFIs only, so this *Rule* should have no impact on the corporate user.

P2P Entries

Effective March 21, 2014

This *ACH Rule* standardizes the use of the ACH Network for Person-to-Person (P2P) Entries.

Please note: While this *ACH Rule* becomes effective as early as March 21, 2014, vendors and financial institutions offering Person to Person services have until March 20, 2015 to comply with this *ACH Rule*.

IMPACT TO CORPORATE USERS: Since this *Rules* change deals with Person-to-Person payments, it should have little to no impact on the corporate user.