

# Key Components of an RDFI

Mini Deck

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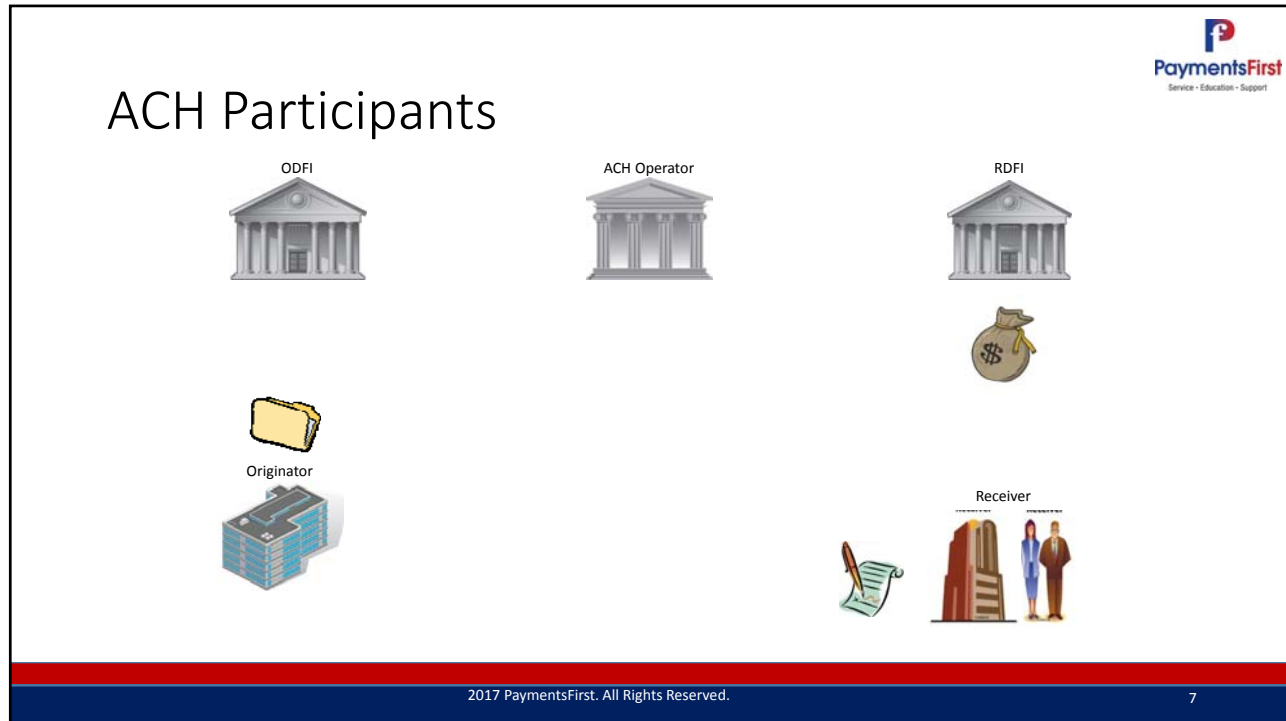
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## Agenda

- Overview of ACH Network and Participants
- General RDFI Rights & Responsibilities
- Exceptions
  - Returns
  - Notifications of Change (NOCs)
  - Contested, Corrected Dishonors
  - Prenotification Entries
  - Stop Payments
- Extended Return Entries and Written Statements of Unauthorized Debit
- Prenotification Entries
- Handling Federal Government Payments
  - Government Reclamations

## ACH Participants

- Receiver
  - The receiving company, employee, organization, trading partner or consumer
- Receiving Depository Financial Institution
  - RDFI
- Originator
  - The originating company or individual
- Originating Depository Financial Institution
  - ODFI
- ACH Operator
  - Federal Reserve Bank (FRB)
  - Electronic Payments Network (EPN)



# General Rights & Responsibilities

## RDFI must accept all ACH Entries

- That comply with the Rules
- Are received with respect to an account maintained at RDFI
  - RDFI may rely solely on the account number contained in an Entry for purposes of posting
    - Regardless of whether the name of the Receiver in the Entry matches the name associated with the account number
- RDFI may rely on the Standard Entry Class (SEC) Code for the purpose of complying with the Rules

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# General Rights & Responsibilities

## Request for Copy of Authorization

- In writing, RDFI may Request Copy of Receiver's Authorization from ODFI
  - Exceptions: RCK and XCK
    - Does not apply to credit Entries for which both the Receiver and Originator are natural persons
- Non-Consumer Copy of Authorization
  - Permit an RDFI to request proof of a non-consumer authorization for CCD, CTX or Inbound IAT Entries
    - Authorization or Originator's contact information

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# General Rights & Responsibilities

- To determine the Originating Depository Financial Institution (ODFI)
- 1st 8 digits of 15 digit trace number identifies ODFI
- To obtain phone number for ODFI:
  - <https://www.frbervices.org/EPaymentsDirectory/search.html>
  - Government agency origination
    - 1-866-234-5681 (option 6)

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# Timing Requirements

## General Rule for Availability of Credits

- RDFI must make the amount of each credit Entry received from its ACH Operator available to the Receiver for withdrawal no later than the Settlement Date of the Entry



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# Timing Requirements

## Availability for Certain Credit PPD Entries

- RDFI must make the amount available to the Receiver for withdrawal at the opening of business on the Settlement Date
  - For purposes of this subsection, opening of business is the later of 9:00 a.m. (RDFI's local time) or the time the RDFI's teller facilities (including ATMs) are available for customer account withdrawals

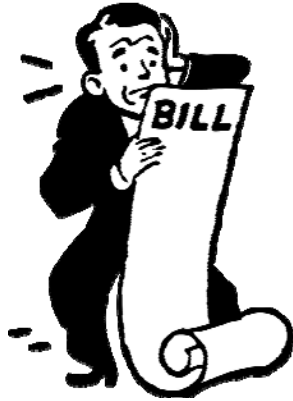


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# Timing Requirements



## Timing of Debit Entries



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

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# Timing Requirements



## Effective Entry Date vs. Settlement Date

- Effective Entry Date
  - Date specified by the Originator on which it intends a batch of Entries to be settled
- Settlement Date
  - Date (a 3-digit Julian date) for a batch of Entries is inserted by the Receiving ACH Operator

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# Timing Requirements

## Effective Entry Date vs. Settlement Date

- Credit Entries
  - The Effective Entry Date must be either one or two Banking Days following the Banking Day of processing by the ACH Operator
- Debit Entries
  - The Effective Entry Date must be one Banking Day following the processing date



# Timing Requirements

## Effective Entry Date vs. Settlement Date - Same Day

Transmission Window	Target Distribution	Settlement Schedule
<b>ACH Operators Forward – Future Dated Items</b>		
10:30 a.m. ET (1030 ET)	12 noon ET (1200 ET)	For all: 8:30 a.m. ET (0830 ET) – Next Business Day
2:45 p.m. ET (1445 ET)	4 p.m. ET (1600 ET)	
8 p.m. (2000 ET)	10 p.m. ET (2200 ET)	
2:15 a.m. (0215 ET)	6 a.m. ET (0600 ET)	
<b>ACH Operators Forward – Same Day Items</b>		
10:30 a.m. ET (1030 ET)	12 noon ET (1200 ET)	1 p.m. ET (1300 ET) – Current Business Day
2:45 p.m. ET (1445 ET)	4 p.m. ET (1600 ET)	5 p.m. ET (1700 ET) – Current Business Day
<b>ACH Operator Returns</b>		
10:30 a.m. ET (1030 ET)	12 noon ET (1200 ET)	1 p.m. ET (1300 ET) – Current Business Day
2:45 p.m. ET (1445 ET)	4 p.m. ET (1600 ET)	5 p.m. ET (1700 ET) – Current Business Day
4 p.m. ET (1600 ET)	5 p.m. ET (1700 ET)	5:30 p.m. ET (1730 ET) – Current Business Day
8 p.m. (2000 ET)	10 p.m. ET (2200 ET)	8:30 a.m. ET (0830 ET) – Next Business Day
2:15 a.m. (0215 ET)	6 a.m. ET (0600 ET)	8:30 a.m. ET (0830 ET) – Next Business Day



# Exception Processing

Key Components of an RDFI

# Exception Processing

## Definition

- Any Entry that cannot be processed in the normal course of business
- Must be handled timely
  - Return the Entry
  - Post the Entry
  - Post and initiate a Notification of Change Entry
- DFIs may not suspend an ACH file or Entry

## Exception Processing

### Returns

- An RDFI may return an ACH Entry for any valid reason
  - Except if it is a specific type of Entry
- Exceptions to the Rule
  - XCK Entry for any reason (R33 – 60 calendar days)
  - Any Entry Received that concerns any account that is not a Transaction Account (R20 – 24 hours)



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## Exception Processing

- Return Time Frame for Consumer or Non-Consumer Account
- Transmitted by RDFI so that the Return Entry is made available to ODFI no later than opening of business on second Banking Day after Settlement Date of original Entry
  - A Return Entry rejected by the ACH Operator does not satisfy or extend the timing requirements

# Notification of Change

Key Components of an RDFI

# Notification of Change

## Requirements for RDFI to Transmit a Notification of Change

- COR Entry complies with Appendix 5
- Transmitted within two Banking Days of the Settlement Date of the original Entry
  - Except for mergers, acquisitions or other similar events



## Notification of Change

### Warranties

- Information contained in the NOC or Corrected NOC is correct
- RDFI shall indemnify every ODFI and ACH Operator from and against any and all claims, demands, losses, liabilities, etc.



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## Contested, Corrected Dishonors

Key Components of an RDFI

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## Dishonored Returns

- ODFI may dishonor a Return (except IAT) if
  - The RDFI failed to meet the time deadlines for the Return Entry
  - The Return Entry contained incorrect or does not contain all information
- Time frame
  - ODFI must transmit within Five Banking Days after the Settlement Date of the Return Entry

## Contested Dishonored Returns

- RDFI may contest a dishonored Return Entry if
  - Original Return Entry was returned within time limits
  - Original Return Entry was not a duplicate
  - Original Return Entry was complete and contained no errors
  - Dishonored Return Entry was misrouted or untimely

## Corrected Dishonored Returns

- RDFI may correct a dishonored return because
  - ODFI transmitted a R69 – Field error(s)
  - R74 - Corrected dishonored Return Reason Code
- Time frame for contested/corrected dishonors
  - RDFI must transmit within Two Banking Days after the Settlement Date of the Dishonored Return Entry

## Prenotification Entries

Key Components of an RDFI

## Prenotification Entries



### Non-Monetary Entry

- Non-Monetary Entry Transmitted by an Originator prior to the initiation of the first credit or debit Entry to a Receiver's account
- Used to verify the Receiver's account number at the RDFI
- Optional for the Originator
- Originator and ODFI must comply with all rules and formatting requirements
- Transaction Code indicates Prenotification

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## Prenotification Entries



### Non-Monetary Entry

- RDFI is required to verify the accuracy of the account number on any Prenotification Entry
- If invalid or unprocessable
  - Return the Prenotification or send a NOC

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## Prenotification Entries

- Non-Monetary Entry
  - Transmit Notification of Change
    - Must be transmitted within two Banking Days of the Settlement Date of the Entry to which it relates



## Stop Payments Defined

Key Components of an RDFI



# Stop Payments



## Stop Payments Defined

- A proactive request from an accountholder to prevent payment of one or more entries on his/her account



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# Stop Payments



## Types of Stop Payments

- Consumer and Non-Consumer
  - Determined by account, not Entry, type



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# Stop Payments

## Consumer/Customer Rights

- Consumer rights
  - Single or recurring requests
  - Remains in effect until the Return of the Entry or all Entries, unless revoked by the consumer
- Non-Consumer rights
  - Single or recurring requests
  - Remains in effect until the return of the Entry or Entries until six months, at which point it ceases to be effective unless renewed in writing

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# Stop Payments

## RDFI's Liability



- An RDFI shall have no liability or responsibility to any Originator, ODFI or other person having interest in such Entry for honoring a stop payment order

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# Stop Payments

## Stop Payment Returns

- R08 (Payment Stopped)
  - Entry must be made available to the ODFI no later than opening of business on the second banking day following Settlement Date of original Entry



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# Extended Return Entries

Key Components of an RDFI



## Extended Returns Time frame

### Consumer Account time frame

- Extended Return Entries must be made available to the ODFI no later than opening of business on the banking day following the 60th calendar day following Settlement Date of original Entry
- Exceptions
  - Corporate Entry Posting to a Consumer Account
    - R05 with WSUD (60 calendar days)

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## Extended Returns Time frame

### Non-Consumer Account time frame

- Return Entry is made available to ODFI no later than opening of business on second Banking Day after Settlement Date of original Entry
  - For all SEC Codes except CCD and CTX
- Exception
  - Unauthorized Corporate Entry outside time frame
    - RDFI must request from ODFI permission to do late return
      - R31 (Permissible Return)

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## Extended Returns Time frame

### Warranty

- RDFI warrants to each ODFI, ACH Operator, and Gateway that prior to initiating the Extended Return Entry, the RDFI obtained from the Receiver a completed and signed WSUD
  - An RDFI shall indemnify every ODFI, ACH Operator, and Gateway from and against all losses resulting directly or indirectly from the breach of the warranty

## Written Statement of Unauthorized Debit

Key Components of an RDFI

## Written Statement of Unauthorized Debit

A Written Statement must be accepted from a Receiver with respect to any

- Unauthorized or improper debits including, ARC, BOC or POP Entry to a Non-Consumer Account and unauthorized IAT Entry
- Any Incomplete Transaction
- The WSUD must be signed or similarly authenticated by the Receiver and submitted within the timeframes provided in the Rules

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## Written Statement of Unauthorized Debit

### Retention/Copies of the WSUD

- An RDFI must retain the original or copy of each Written Statement of Unauthorized Debit for one year from the Settlement Date of the Extended Return Entry(s)
- RDFI must provide to the ODFI, a copy of WSUD when requested in writing
  - Within ten (10) Banking Days after receiving request from the ODFI
    - provided such request is received from the ODFI within one year of the date of initiation of Extended Return Entry

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## Handling Federal Government Payments

### Key Components of an RDFI

## Federal Government ACH

- Return of Government Payments
  - An Entry must be returned if
    - Enrollment is terminated
    - Beneficiary/representative payee has passed away or become legally incapacitated
    - Death Notification Entry (DNE) or other death notification received from a Federal agency
    - Account is closed
    - Payment cannot be posted

# Federal Government ACH

## Effect of Returning a Payment

- Automatically suspends Direct Deposit
  - May stop future payments from the Federal agency
- Entries returned in error may require a new enrollment form from the recipient



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# Government Reclamations

Key Components of an RDFI



## Government Reclamations

### Government's right to reclaim funds is established in 31 CFR 210

- Preempts the reclamation provisions of the NACHA Operating Rules
- Applies to recurring benefit payments only
- Federal agencies must initiate within 120 calendar days after having "actual or constructive knowledge"
- RDFI is fully liable for all payments received after death unless the RDFI meets the qualifications for limiting its liability

## Government Reclamations

### Ways an RDFI may learn of the death of a benefit recipient

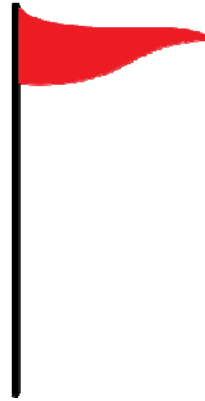
- Notification by survivors, executor of the estate or a funeral home
- Receipt of Death Notification Entry (DNE)
- Receipt of Notice of Reclamation
- Notification by any means results in RDFI having "constructive knowledge"

# Government Reclamations



## RDFI Responsibilities Upon Learning of Death

- Flag the account
  - If joint account, the flag could prevent the spouse from receiving their own benefit payment
  
- Return all post-death benefit payments
  - R14 (Representative Payee Deceased or Legally Incapacitated)
  - R15 (Beneficiary or Account Holder Deceased)



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# Government Reclamations



## RDFI responsibilities for Receipt of Reclamation

- Flag the account
- Immediately determine the account balance
- Check for other types of federal benefit payments
- Respond within 60 days from the date of the Notice of Reclamation
- Accurately complete, sign and return reclamation
- Return full payments via ACH and partial payments via check

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# Government Reclamations



## Erroneous Entries

- Recipient is alive
  - Terminate the reclamation process by returning the Notice of Reclamation within 60 days
- Date of death is incorrect
  - Notify Federal agency via the Notice of Reclamation (copy of death certificate required)
- Federal Government may issue subsequent Notices of Reclamation



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