

Uniform Commercial Code Article 4A Exercise answers

1. Identify the types of ACH Entries by SEC codes that are subject to Article 4A.
Wholesale credit entries
Corporate to corporate ACH credit transfers including CCD and CTX transactions
2. When does acceptance occur for the ODFI?
When the ODFI executes or transmits the File or Entry to the ACH Operator
[ACH Compliance Manual (Copyright 2011) page 221]
3. What obligations are triggered when the ODFI accepts an Entry subject to UCC 4A?
 - **Timely transmittal of Entry**
 - **Selection of ACH Operator**
 - **Choice of Law**
 - **Liability for late Transmittal or failure to Transmit**
 - **Notice to Receiver and Provisional Payment***(ACH Compliance Manual)*
4. Which of the above obligations may be varied by agreement?
 - **Selection of ACH Operator**
 - **Choice of Law***[ACH Compliance Manual (Copyright 2011) page 222]*
5. What obligations under UCC 4A are superseded by the *NACHA Operating Rules*?
 - **Notice to Receiver**
 - **Provisional Payment***[ACH Compliance Manual (Copyright 2011) page 222]*
6. How does Article 4A define a 'commercially reasonable' security procedure?
A procedure established by agreement for:
 - *Verifying that an Entry or a communication canceling or amending an Entry is coming from the customer (the correct source)*
 - *Detecting error in the transmission or the content of an Entry or communication**[ACH Compliance Manual (Copyright 2011) page 56]*
7. What factors are used to determine 'commercially reasonable' security procedures?
 - *The wishes of the Originator expressed to the ODFI*
 - *The circumstances of the Originator known to the ODFI, including the size, type and frequency of Entries normally issued by the Originator*
 - *Alternative security procedures offered by the Originator; and*
 - *Security procedures in general use by similarly situated Originators and ODFIs**[ACH Compliance Manual (Copyright 2011) page 56]*
8. How does UCC 4A define acceptance by the RDFI?

Handout M Answers

Acceptance occurs at the earliest of when the RDFI:

- Makes funds available to the Receiver
- Provides 'unqualified' notice to the Receiver
- Receives final settlement

[*ACH Compliance Manual* (Copyright 2011) page 221]