

Payment Systems Overview answers

1. The ACH Network is a processing and delivery system that provides for the distribution and settlement of electronic credits and debits among financial institutions.
2. The ACH movement began in the early 1970s when a group of California bankers formed the Special Committee on Paperless Entries (SCOPE).
3. In 1974, NACHA (National Automated Clearing House Association) was formed to coordinate the ACH movement nationwide.
4. The main benefits associated with the use of the ACH network are cost reduction and improved productivity over paper check transactions.
5. ACH Operators may be private companies or the Federal Reserve Bank. The current private sector operator is the Electronic Payments Network.
6. Regional Payments Associations provide management, education, assistance, and services to link all types of financial institutions (commercial banks, savings banks and credit unions) across the United States.
7. The ACH system is a batch processing, store-and-forward system. Transactions received by the financial institution during the day are stored and processed later in a batch mode.
8. The Originator is the entity that agrees to initiate ACH Entries into the payment system according to an arrangement with a Receiver.
9. An Automated Clearing House Operator is the central clearing facility operated by a private organization or a Federal Reserve Bank (FRB) on behalf of DFIs to or from which participating DFIs transmit or receive ACH Entries.
10. The Originating Depository Financial Institution is the institution that receives payment instructions from Originator and forwards Entries to the ACH Operator.
11. A Receiver is a natural person or an organization that has authorized an Originator to initiate an ACH Entry to the Receiver's account with the RDFI. A Receiver can either be a company or a consumer, depending on the type of transaction.
12. Unlike a check, which is always a debit instrument, an ACH Entry may be either a credit or a debit Entry.
13. Dividends, payrolls and government vendor payments are examples of ACH credits.
14. Before any transaction is initiated, the Originator and ODFI execute an agreement to use the ACH network to originate payments.

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15. Among other things, the agreement should bind the originating company to the - NACHA Operating Rules, define the parameters of the relationship between the two parties, identify processing requirements for the specific application(s), and establish liability and accountability for procedures related to certain application(s).
16. The Check is one of the world's oldest forms of payment, and today exists as one of the most common methods of payment, both in the United States and internationally.
17. The traditional Check is a debit payment instrument that is widely accepted and used by businesses, governments, and consumers as payment for virtually any form of commerce.
18. A distinguishing characteristic of Fedwire is that it is a real-time, gross-settlement system, which operates in a real-time environment if it processes each transaction as it is initiated, rather than processing by batch.
19. The Fedwire Securities are held and transferred in electronic form known as Book-Entry Securities; unlike the Fedwire Funds Service, the Fedwire Securities Service is a debit/pull system with regard to payments.
20. The Fedwire Funds Service is a credit/push system in which only the Originator's financial institution can remove funds from its Federal Reserve account.
21. Credit cards are not true payment instruments because they do not result in a direct transfer of funds from the Payor to the Payee.
22. Debit cards are used by consumers at ATMs to withdraw cash from their accounts and may be used as a means of electronic payment, either on-line or off-line, for goods or services purchased at a retail establishment.
23. Unlike a credit card, where the cost of goods is charged to an account that is paid later and to which interest may be applied, the cost of goods charged against a debit card is taken directly from a demand deposit account.
24. The two banking conventions that advanced paper check processing were Routing Numbers and MICR.
25. The check system participant known as the Payee's Depository Financial Institution is also known as BOFD.
26. A check participant who creates an image of the original check is known as the Truncating Bank.
27. When a check is sent to another depository institution for collection, it is called a transit check.
28. What type of card is similar to a debit card but the balance is not associated with a DDA or other financial institution account? Prepaid/Stored Value

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29. The use of a PIN/Online debit card results in immediate funds transfer.
30. Each transfer of funds on this payment system is considered irrevocable: wire.