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INTRODUCTION

This release applies to all credit unions, both state and federally chartered.

EXECUTIVE SUMMARY

Most credit unions offer ACH services to their membership, whether it is as a Receiving Depository Financial Institution (RDFI) only, or also as an Originating Depository Financial Institution (ODFI). Most, if not all credit unions will receive entries on behalf of their members making the credit union participate in the ACH network as an RDFI. Credit unions may optionally choose to offer origination services to their members, making them participate as an ODFI. Origination can occur as basic preauthorized credits and debits or ACH business origination services. The rules and regulations governing ACH transactions can be complicated and difficult to navigate.

This ii Release will provide general information pertaining to ACH, however it is recommended that the official Nacha Rulebook be referenced for more detailed information.

Links for online resources are provided. Please note that in some cases, a password is required to access the compliance portion of a website. To apply for a password, simply follow the registration information on the website. In using these websites be sure to look for related information on other pages of the same site, as well as useful links to other sites.

RULES AND REGULATIONS

ACH entries are governed by a number of rules and regulations, such as the Nacha Operating Rules & Guidelines, 31 CFR Part 210, Regulation E (Electronic Funds Transfer Act), OFAC and the Uniform Commercial Code Article 4A. Compliance with one regulation does not necessarily guarantee compliance with other regulations. It is important to understand the requirements of each rule and its impact on ACH entries processed by the credit union.

The Wisconsin Credit Union League

1 East Main Street, Suite 101, Madison, WI 53703-5109 Phone: (608) 640-4040 (800) 242-0833 Fax: (608) 250-2606 Web: www.theleague.coop

The Nacha Operating Rules & Guidelines

Each financial institution participating in the ACH network agrees to comply with the Nacha Rules & Guidelines. The Nacha Rules & Guidelines are published annually and often incorporate supplements throughout the year for rule amendments. Members of the Payments Association, PaymentsFirst, receive the current edition of the Rules annually as part of their membership dues. Member credit unions may purchase additional copies. Non-member credit unions may also purchase the guide through PaymentsFirst or Nacha.

Regulation E – Electronic Funds Transfer Act (EFTA)

The EFTA establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer systems. Credit unions with assets under \$100 million are exempt from Regulation E as it pertains to preauthorized electronic transfers. Regulation E can be accessed [here](#). See *ii Release No. 0120* for an in-depth look at Regulation E.

US Treasury – Green Book – A Guide to Federal Government ACH Payments

The *Green Book* is a US Treasury publication, which is a comprehensive guide for financial institutions that receive ACH payments from the federal government. The guide is based on 31 CFR Part 210. It provides guidance on enrollment, processing, non-receipt claims, returns, reclamations, notifications of change, contacts and forms.

UCC Article 4A

Credit unions with assets under \$100 million are exempt from Regulation E as it pertains to preauthorized electronic transfers. ACH credit transfers are covered by Article 4A if they are exempt from Regulation E. *ii Release 0127* provides an overview of Article 4A. The Wisconsin version of Article 4A can be found in *Wis. Stats. Chapter 410*.

PAYMENTS ASSOCIATIONS AND SERVICE PROVIDERS

National Automated Clearing House Association (Nacha)

www.Nacha.org

Nacha manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data.

The ACH Network provides a safe, secure, and reliable network for direct account-to-account consumer, business, and government payments. Annually, it facilitates billions of Direct Deposit via ACH and Direct Payment via ACH transactions. Used by all types of financial institutions, the ACH Network is governed by the fair and equitable Nacha Operating Rules which guide risk management and create payment certainty for all participants.

As a not-for-profit association, Nacha represents more than 10,000 financial institutions via nine payments associations and direct membership.

PaymentsFirst

www.paymentsfirst.org toll free (866) 993-3753 email info@paymentsfirst.org:

W177N9886 Rivercrest Dr. Suite 112, Germantown, WI 53022
1306 Concourse Dr, Suite 350, Linthicum Heights, MD 21090

Most credit unions in Wisconsin belong to the payments association, PaymentsFirst, which is an excellent source of ACH publications, training, and marketing materials. Members of PaymentsFirst receive a current Nacha Operating and Guidelines Book each year. PaymentsFirst also hosts various educational seminars. The staff of PaymentsFirst is available for telephone consultation for member credit unions.

UMACHA

www.umacha.org (800) 348-3692 7100 Northland Cir N, Minneapolis, MN 55428

UMACHA is another payments association and some Wisconsin credit unions may choose to be members. Members of UMACHA are also provided with a current Nacha Operating and Guidelines Book, on an annual basis. UMACHA also provides education, consulting, and publications.

Corporate Central Credit Union

www.corpcu.com (414) 425-5555 (800) 242-4747 6262 S. Lowell Place, Muskego, WI 53150

Corporate Central Credit Union offers an internet-based program, Beastro, which may be used to bring in a credit union's ACH file from the federal reserve or allows credit unions to originate outgoing ACH files that consist of one-time or

recurring transactions. Beastro also can be used for Business ACH Origination. Corporate Central has an ACH department to handle questions regarding ACH Origination.

GENERAL ISSUES

Annual ACH Audit

The Nacha rules require that all participating financial institutions (Third-Party Service Providers and Third-Party Senders) conduct, or have conducted, an annual rules compliance audit by December 31st each year. ACH Audits must be performed by an audit committee, audit manager, senior level officer, independent external examiner or auditor. Credit unions must retain proof of completion of an audit for a minimum of six years and provide Nacha with proof upon their request. Self-audit guides and audit training are available through Nacha, PaymentsFirst, or other Payments Associations. Credit unions may want to consider hiring a qualified outside agent to conduct the audit.

ACH Risk Assessment

All participating financial institutions must conduct an assessment of their ACH activity risks and then implement an ACH risk management program as a result. Regulators also may require specific risks associated with ACH to be evaluated.

Maintaining Records and Record Retention

All ACH records must be retained for no less than six years, unless the rules specify otherwise. Records may be retained electronically, as long as they can be recreated in a form that accurately reflects the original information.

Information Security

All participating financial institutions must establish, implement, and update policies, procedures, and systems related to processing and storing ACH records to:

- (a) Protect the confidentiality and integrity of protected information until its destruction;
- (b) Protect against anticipated threats or hazards to the security or integrity of protected information until its destruction; and
- (c) Protect against unauthorized use of protected information that could result in substantial harm to a natural person.

In addition, banking information transmitted via an unsecured electronic network must be secured using technology that provides a commercially reasonable level of security.

Choice of Law

The Nacha operating rules specify that, unless there are binding agreements that state otherwise, ACH transactions are governed by the version of UCC 4A adopted by the state of New York.

ODFI AND ORIGATION SPECIFIC ISSUES

Liability and Warranties for Origination

An ODFI is responsible for all entries originated with their routing number, regardless of the party who originated the entry. If an ODFI transmits an entry, they warrant to each RDFI that the entry was properly authorized, the authorization had not been revoked by the receiver or terminated as a matter of law, that the entry complies with the rules, the entry contains all required information, that credit entries are timely, debit entries are for an amount that is due and owing and specified to be paid to the originator or to reclaim from an RDFI an amount paid after the death or legal incapacity of the recipient.

Every RDFI and ACH Operator shall be indemnified from and against any and all claims, demands, losses, liabilities, and expenses, including attorneys' fee and costs that result directly or indirectly from a breach of warranty.

Prerequisites to Origination

Know Your Member

The ODFI must utilize a commercially reasonable method to verify the identity of an originator at the time the ODFI agrees to originate entries on their behalf.

ACH Agreement

The ODFI and the originator must enter into an agreement that includes the following, at a minimum:

- The ODFI must be authorized to originate entries on behalf of the originator;
- The originator must be bound to the rules;
- The originator must agree not to originate entries that violate U.S. Law;
- Restrictions on the types of entries permitted;
- ODFI's right to terminate or suspend the agreement if the originator breaches the rules; and
- ODFI's right to audit the originator's compliance with the agreement and compliance with the rules.

Risk Management

The ODFI must perform due diligence on an originator to form a sufficient reasonable belief that the originator has the capacity to perform rule obligations. The due diligence must include:

- Assessing the nature of the originator's ACH activity and the risk it presents;
- Establishing, implementing, and periodically reviewing an ACH exposure limit for the originator; and
- Establishing and implementing procedures to:
 - Monitor origination and returns;
 - Enforce the types of entries; and
 - Enforce the exposure limit.

AUTHORIZATION

Originators must obtain receiver's authorization to originate one or more entries into the receiver's account. The authorization must be readily identifiable as an authorization and have clear and understandable terms. The authorization for credit entries to a consumer account is permitted in any manner. The authorization for debit entries must contain the following:

- Be written and signed or similarly authenticated by the receiver, unless the rules permit otherwise.
- Whether the authorization is for a single entry, recurring entries, or one or more subsequent entries under the terms of a standing authorization.
- The entry amount. (If this varies the receiver must be given ten days advance notice unless a range was included in the authorization)
- The timing (start date), number, and/or frequency. (If this varies the receiver must be given seven days advance notice)
- The receiver's name or identity.
- The account to be debited.
- The date of the authorization.
- Authorization revocation language to include the time and manner in which the revocation must occur.

Electronic authorizations are permitted if they satisfy the Electronic Signatures in Global and National Commerce Act (E-Sign Act).

Some entries permit oral authorization. They must meet the requirements as mentioned above, in addition they may require an audio recording of the receiver's authorization.

Receivers must be provided with an electronic or hard copy of their authorization for all debit entries.

Originators must retain a record of the authorization for two years from the termination or revocation of the authorization. Upon an RDFI's request, an ODFI must provide the RDFI with an accurate record of authorization within ten banking days or otherwise agree to accept the return of an entry that the RDFI is inquiring on.

ACH ENTRIES

Re-presented Check Entry (RCK)

When a consumer's check is presented to the paying financial institution but returned to a merchant due to insufficient funds, the merchant may subsequently create an ACH entry to re-present the check item to the paying financial institution. This ACH transaction is called a re-presented check entry and uses the RCK SEC Code. Since these entries are considered a continuation of a check transaction, RCK entries are not covered by Regulation E (see below).

Any fee assessed by a merchant for a returned check would be covered by Regulation E if the fee was collected by ACH and authorized by the consumer.

Electronic Check Conversions

An electronic check conversion occurs when a consumer authorizes a one-time electronic funds transfer (EFT) from his or her account using information obtained from a check to initiate the transfer. Electronic check conversions are covered under Regulation E. This applies whether the check is blank, partially completed, or fully completed and signed. In addition, Regulation E applies regardless of whether the check is presented at a point-of-sale terminal or if the check is mailed to a merchant or lockbox and later converted to an electronic transfer.

Since an electronic check conversion is an EFT, the credit union must disclose in their initial EFT disclosure that an electronic check conversion is a permissible EFT. For details about various Reg. E requirements, see *ii Release No. 0120, "Reg. E – Electronic Fund Transfer Act."*

Reg. E also requires merchants and other payees who *initiate* an electronic check conversion to provide notice to the consumer when a conversion transaction takes place. The CFPB provides model notice language. The Appendix A-6 model notice can be found at: <https://www.consumerfinance.gov/rules-policy/regulations/1005/a/#6>.

This should not directly affect credit unions, unless the credit union *initiates* an electronic check conversion transaction. (For example, if the credit union converts a check to an EFT from another institution provided as payment for a mortgage loan, then the credit union would have to provide the required notice and obtain authorization from the consumer.) Please contact The League if you need more information about the notice and authorization requirements for those who initiate electronic check conversions.

Consistent with Reg. E, Nacha has its own notice and authorization rules for electronic check conversions.

Nacha uses the SEC Codes ARC (Accounts Receivable), BOC (Back Office Conversion), and POP (Point-of-Purchase) for electronic check conversions. The ARC code applies to an ACH entry created from a check (source document) mailed to a merchant or lockbox. The biller initiates this type of ACH entry. The POP code applies to an ACH debit entry created by a merchant at the point-of-purchase. The entry must be a single authorization created from a customer's check. The information needed to create the entry must be taken from the consumer's preprinted share draft. The merchant cannot manually enter any of the required information. The share draft must be voided. Certain checks may not be used to create POP entries (e.g., corporate checks, previously voided checks, credit card checks and third-party checks).

For a POP transaction, the notice must be posted in a prominent and conspicuous location and a copy of the notice must be provided to the consumer at the time of the transaction, such as on the receipt. Authorization for an ARC transaction occurs when the consumer goes forward with the transaction after receiving notice that the merchant intends to convert the check to an EFT. The credit union need not obtain the member's written authorization to conduct the transaction.

Corporate to Corporate Entries (CCDs)

CCDs are entries originated from a business and received by a business. They may be credits or debits, single entry or recurring. There are no specific authorization requirements for these.

Customer Initiated Entries (CIEs)

CIEs are consumer originated credit entries where the receiver is a business. Examples may be a consumer paying their homeowner's association dues or rent payment.

International ACH Entries (IATs)

IATs are inbound or outbound debit or credit entries that originates from or exits to a financial agency's office that is not located in the territorial jurisdiction of the U.S.

Point of Sale Entries (POSSs)

POS entries are initiated through an electronic terminal to a consumer account utilizing an access card not issued by the credit union.

Prearranged Payment and Deposit Entries (PPDs)

PPD entries are initiated by a business to a consumer receiver to debit or credit their account at another institution based on a written authorization signed or similarly authenticated by the receiver. Examples of these are a business originating payroll to its employees or the credit union pulling a loan payment from a consumer's other financial institution.

Telephone Entries (TELs)

TEL debit entries are initiated over the telephone, where the receiver's authorization is provided orally. TELs require an existing relationship between the originator and the receiver, or when there isn't a prior relationship the receiver has called the originator.

WEB Entries (WEB)

WEB Debit entries are initiated via the internet or wireless network.

WEB Credit entries are initiated by consumers to credit another consumer, that could include themselves. WEB entries can be initiated in any manner, not only via the internet or wireless network.

RECEIVING DEPOSITORY FINANCIAL INSTITUTIONS

Posting

RDFIs may rely solely on the account number contained in an entry for the purpose of posting an entry, regardless of whether the name of the receiver matches the name on the account.

RDFIs may not post debit entries prior to settlement date.

RDFIs may not post credit entries later than settlement date, unless they have suspicion of a fraudulent credit.

Requesting Proof of Authorization

RDFIs may request proof of the receiver's authorization from an ODFI, in writing.

Periodic Statements

RDFIs are required to provide, or make available, the following information about ACH entries posting to receiver's accounts:

- posting date to receiver's account;
- dollar amount of the entry;

- company name/originator name (Note: For credit WEB Entries for P2P payments, the name of the consumer originator is located within the Individual Identification Number field of the Entry Detail Record; for credit WEB Entries for reversals the name of the originator is located in the Company/Batch Header Record);
- company entry description;
- account type;
- account number;
- amount of any charges assessed against the account for services related to the entry;
- balances in the receiver's account at the beginning and at the close of the statement period;
- for an ARC, BOC, RCK, or XCK Entry, or an IAT Entry where the transaction type code field contains a value of "ARC," "BOC," or "RCK," the check serial number;
- for an MTE, POS, or SHR Entry, or an IAT Entry where the transaction type code field contains a value of "MTE," "POS," or "SHR," the:
 - terminal identification code and/or terminal location, as those terms are defined in Regulation E;
 - terminal city, as that term is defined in Regulation E; and
 - terminal state, as that term is defined in Regulation E;
- For a POP Entry, or an IAT Entry where the transaction type code field contains a value of "POP," the:
 - check serial number;
 - terminal city, as that term is defined in Regulation E; and
 - terminal state, as that term is defined in Regulation E;
- Address and telephone number to be used for inquiries or notices of errors preceded by "Direct Inquiries To" or similar language.

ACH Funds Availability

For a credit Entry that is not a Same Day Entry and that is made available to the RDFI by its ACH Operator by 5:00 p.m. (RDFI's local time) on the banking day prior to the settlement date, the RDFI must make the amount of the credit entry available to the receiver for withdrawal no later than 9:00 a.m. (RDFI's local time) on the settlement date.

For a credit entry that is not a Same Day Entry that is made available to the RDFI by its ACH Operator after 5:00 p.m. (RDFI's local time) on the banking day prior to the settlement date, the RDFI must make the amount of the credit entry available to the receiver for withdrawal no later than the end of the settlement date.

For a credit Same Day Entry received in the first same-day processing window, an RDFI must make the amount of the credit entry available to the receiver for withdrawal no later than 1:30 p.m. (RDFI's local time) on the settlement date of the entry.

For a credit Same Day Entry received in the second same-day processing window, an RDFI must make the amount of the credit entry available to the receiver for withdrawal no later than 5:00 p.m. (RDFI's local time) on the settlement date of the entry.

An RDFI whose local time is Atlantic time may use eastern time to satisfy these requirements.

For a credit Same Day Entry received in the third same-day processing window, an RDFI must make the amount of the credit entry available in the receiver's account no later than the completion of the RDFI's processing for that settlement date, subject to its right to return the entry under these rules. An RDFI is not required to make such funds available for withdrawal on the settlement date.

Written Demands for Payment

RDFIs may receive requests from ODFIs for funds to be returned and it is recommended that they obtain a letter of indemnification from the ODFI.

An RDFI's liability shall be the lesser of:

- the amount of any payments to which the receiver was not entitled; or
- the amount in the receiver's account at the time the RDFI receives:
 - a reclamation entry initiated by the ODFI in accordance with Section 2.11 of the NACHA Operating Rules (Reclamation Entries and Written Demands for Payment) and not returned by the RDFI; or
 - a written demand for payment from the ODFI or Originator and has a reasonable opportunity to act upon such demand.

Stop Payments

Consumer Accounts

An RDFI must honor a stop payment order received either verbally or in writing at least three banking days before the scheduled date of any recurring debit entry to a consumer account. An RDFI may in its discretion honor such a stop payment order received within such three banking day period. An RDFI shall have no liability or responsibility for honoring a stop payment order.

An RDFI may require written confirmation of a verbal stop payment order within fourteen days of the verbal stop payment order, provided that the RDFI notifies the receiver of this requirement and provides an address where to send the written confirmation. If the RDFI requires written confirmation, the verbal stop payment order will cease to be binding after fourteen days.

For an order to stop all future payments relating to a specific authorization involving a specific originator, an RDFI may require a receiver to confirm in writing that the receiver has revoked the authorization given to the originator.

A stop payment order will remain in effect until the earlier of:

- (a) the withdrawal of the stop payment order by the receiver; or
- (b) the return of the debit entry, or, where a stop payment order applies to more than one debit entry relating to a specific authorization involving a specific originator, the return of all such debit Entries.

Non-Consumer Accounts

An RDFI must honor a stop payment order regarding any debit entry initiated or to be initiated to a non-consumer account that is provided by a receiver at such time and in such manner as to allow the RDFI a reasonable opportunity to act upon the stop payment order prior to acting on the debit entry. The RDFI must comply with a verbal stop payment order only for a period of fourteen days unless the order is confirmed in writing within that fourteen-day period.

At a minimum, a written stop payment order regarding any debit entry initiated or to be initiated to a non-consumer account will remain in effect until the earliest of:

- The withdrawal of the stop payment order by the receiver;
- the return of the debit entry; or,
- six months from the date of the stop payment order.

An RDFI may extend the effective period of a stop payment order beyond the minimum period described above.

Returns

An RDFI may return an entry for any reason permitted within the rules. Return entries must be transmitted to the ACH Operator for the return entry to be available to the ODFI no later than the opening of business on the second banking day following the settlement date of the original entry. A return entry that is rejected by an ACH Operator does not satisfy or extend the timing requirements.

An RDFI may transmit an extended return entry with respect to any debit entry (unauthorized, authorization revoked, not as authorized, etc.) for which it recredits a receiver's account provided that:

- no error was made by the RDFI in the debiting of the original entry to the receiver's account, except with respect to a stop payment order; and
- the RDFI transmits the extended return entry for the extended return entry to be made available to the ODFI no later than the opening of business on the sixth banking day after the banking day on which the RDFI completes its review of the receiver's signed Written Statement of Unauthorized Debit, but in no case later than the opening of business on the banking day following the sixtieth calendar day following the settlement date of the original entry.

FEDERAL GOVERNMENT PAYMENTS

Updating the Financial Organization Master File (FOMF)

The Department of the Treasury maintains the FOMF which is the master list of financial institutions receiving federal government ACH payments. The Bureau of Fiscal Service relies on this information for sending reclamations and trace requests. All credit unions must keep their name, mailing address, and routing numbers current and notify the Treasury of any changes as soon as possible.

Account Ownership

All deposit accounts at the credit union must have ownerships that match the name of the federal government payment recipient or beneficiary with the following exceptions:

- Where a representative payee has been selected,
- Where the payment is to be deposited into an investment account established through a securities broker or dealer registered with the Securities and Exchange Commission, or an investment account established through an investment company registered under the Investment Company Act of 1940 or its transfer agent, the payment may be deposited into an account designated by the broker or dealer, investment company, or transfer agent.
- Where a federal payment is disbursed to a resident of a nursing facility, the payment may be deposited into a resident trust or patient fund account established by the nursing facility so long as it meets the requirements under federal law.
- Where the payment is disbursed to a member of a religious order who has taken a vow of poverty, the payment may be deposited to an account established by the religious order.
- Where the payment of funds is being deposited to prepaid card.

Manually Posting

An RDFI may decide to manually post a misdirected payment to the correct account and originate a notification of change (NOC) entry with the correct account and/or RTN information. An RDFI does this at its own risk and may be liable to the issuing agency if the RDFI posts the misdirected payment to an incorrect account and there is a resulting loss by the agency. An RDFI is not required to manually verify that the name on the ACH entry matches the name on the account at the time the payment is posted.

Under no circumstances should an RDFI hold unpostable incoming payments indefinitely in a suspense account, or by any other means, nor should payments otherwise be held if any of the conditions apply on when to return a payment.

Returning Payments

All federal government ACH payments must be returned if:

- An enrollment has been terminated and a new enrollment for the same recipient has not been completed,
- The credit union receives a benefit payment after it has actual or constructive knowledge of the death or legal incapacity of a recipient, including a representative payee,
- The credit union is honoring a death notification entry (DNE) or other notification of death from a federal agency,

- The account has been closed by the recipient, or the credit union has closed an account to which benefit payments are being delivered after giving the recipient 30 days written notice (except where fraud is suspected; then the account may be closed immediately),
- There is no current account for the recipient, and
- For any other reason the credit union is unable to credit the payment to the account.

Any returned payment automatically revokes the direct deposit authorization and may stop further payments from the federal agency to a recipient's account.

Misdirected Payments

If the credit union, as an RDFI, becomes aware that a federal government payment has been misdirected, where an ACH credit has posted to a wrong member's account, the credit union must promptly notify the paying agency. This can be done by returning the entry, contacting the agency by phone or letter, or any other means.

Garnishments

The Bureau of Fiscal Services has published a document "Guidelines for Garnishments of Accounts Containing Federal Benefit Payments" <https://www.fiscal.treasury.gov/files/eft/garnishment-guideline.pdf>

To assist financial institutions, Fiscal Service is encoding an "XX" in Positions 54-55 of the "Company Entry Description" field of the Batch Header Record for ACH/PPD and ACH/CCD payments that are designated as federal benefit payments that are exempt from garnishment. This encoding allows financial institutions to determine whether a federal direct deposit payment is an exempt federal benefit payment. **Financial institutions may rely on the presence of an "XX" encoded in Positions 54-55 of the "Company Entry Description" Field to identify a federal benefit payment exempt from garnishment.**

EXAMPLES:

Benefit Payment Type	Company Entry Description (Positions 54-63)	
	Prior to the Garnishment Rule	With the Garnishment Rule
Social Security	SOC SEC	XXSOC SEC
Supplemental Security Income	SUPP SEC	XXSUPP SEC
Railroad Retirement	RR RET	XXRR RET

Non-Receipt Claims

An RDFI may receive a request from the federal government to identify the location of a specific federal government benefit payment. An RDFI can be held liable to the federal government for not processing ACH payments timely or correctly, and if the federal government sustains a loss. The federal government may call the credit union or send a payment trace request form to the credit union.

Reclamations

Reclamation is a procedure used by the federal government to recover benefit payments made to a recipient who died or became legally incapacitated, or a beneficiary who died before the date of the payment(s). 31 CFR Part 210.10(d) and the *Green Book* require a federal agency, such as the social security administration (SSA), to initiate an ACH reclamation within 120 calendar days after the date that the agency receives notice of death of the beneficiary or death or legal incapacity of the recipient.

When an agency, such as the SSA, receives a notice of death, it generally sends a Death Notification Entry (DNE) through the ACH network to the RDFI. An RDFI must immediately return any post death benefit payments received after they become aware of death or legal incapacity of a recipient (but not post death benefit payments that the RDFI received before becoming aware of the recipient's death). If the RDFI learns of the death or legal incapacity of the recipient from a source other than the federal agency, the RDFI must notify the sending agency, by returning payments received.

An RDFI may be liable for all benefit payments received after the death or legal incapacity of a recipient, unless the RDFI meets the qualifications for limiting its liability. An RDFI may be able to limit its liability if it:

- Certifies it did not have actual or constructive knowledge of the recipients death or incapacity at the time of the deposit of any post-death benefit payments

- Returns all post death benefit payments it receives after it learns of the recipient's death (but not post death benefit payments it received before it learned of the death), and
- Adequately responds to the Notice of Reclamation within 60 calendar days from the date of the notice. The response must be done electronically through the Automated Reclamation Processing System (ARPS), except for DFAS agency payments.

An RDFI will not be held liable for post-death benefit payments sent to a recipient acting as a representative payee or fiduciary on behalf of a beneficiary in the event that the beneficiary dies. In this situation, the paying agency will not initiate a reclamation but will instead pursue recovery of any post death benefit payments from the representative payee.

If all or part of the post death benefit payments has been withdrawn from the account before the RDFI learns of the death, and the RDFI appropriately responds to the Notice of Reclamation and is qualified to limit its liability, then the reclamation process is temporarily suspended and the authorizing agency will try to collect from the parties that withdrew the funds from the account.

Family or survivors may request the RDFI not to return the post death benefit payments because they believe that they are entitled to all or part of the payment. The RDFI should still return the benefit payment and advise the survivor to contact the appropriate federal agency to determine whether a final survivor payment is due.

The *Green Book is available online* as a resource for handling reclamations.

Account Closing

If a member has federal benefits directly deposited into an account via ACH, federal rules require the credit union to give the member 30 days' notice before it can close the account (except in cases of fraud). 12 CFR 210.4.

NCUA EXAMINERS GUIDE

The NCUA's Examiners Guide provides an overview of the ACH network, including a discussion of the various risks facing credit unions that process ACH transactions. Also included is a comprehensive self-assessment checklist. The guide is available on the NCUA web site:

https://publishedguides.ncua.gov/examiner/Content/ExaminersGuide/ElectronicPaymentSystems/EPSTypes/ACH/ACH_Oview.htm

OFAC COMPLIANCE

ODFIs that choose to originate ACH entries on behalf of their members should be aware that both they and their Originators are subject to the Nacha Operating Rules and applicable U.S. law when transmitting these entries. ODFIs should make this obligation clear in their agreements with Originators.

ODFIs should:

- Have procedures in place to check accountholders against the OFAC Specially Designated Nationals (SDN) list;
- Regularly run existing and new accounts against the SDN list and take the necessary actions when a match is determined;
- Make their OFAC obligations clear in Originator/ODFI agreements;
- In domestic transactions rely on RDFI for OFAC compliance when the RDFI is the holder of a blocked account; and
- Review all IAT transactions it initiates for OFAC compliance prior to the items being released to the ACH Operator.

RDFIs should:

- Have procedures in place to check accountholders against the OFAC SDN list;
- If it receives an international type of ACH entry, review information about the ODFI because information on the originator may not be available;
- Reject or freeze the proceeds from the ACH transaction when it is the holder of an account for a blocked party;
- Hold blocked and frozen funds in interest-bearing accounts; and

- Inform members who wish to dispute the freezing of their accounts to visit the OFAC web site for the procedures to follow to request a release.

Some helpful resources are:

- *BSA/AML Manual - Office of Foreign Assets Control.*
- *The Federal Reserve IAT Frequently Asked Questions.*

INSURANCE

Credit unions offering electronic funds transfer services may have additional insurance needs. For example, TruStage offers electronic crimes coverage to protect credit unions from losses resulting from fraud committed by others. The credit union may want to consult with its insurance company to discuss coverage. Credit unions working with TruStage can access their website at: www.trustage.com (password required). TruStage also offers additional information in its Resource Center.

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League publications are designed to provide accurate information with regard to the subject matter covered, with the understanding that The League does not render legal services. If you have general questions regarding this release, please call The League at (608) 640-4050 if local or (800) 242-0833. For specific legal advice, please consult your credit union's attorney.

Legal Affairs Department

KH/LN/jb

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APPENDIX

A. List of ACH Acronyms

APPENDIX A - LIST OF ACH ACRONYMS

ACH	Automated Clearing House
ACK	ACH Payment Acknowledgement
ADV	Automated Accounting Advice
ARC	Accounts Receivable or Accounts Receivable Truncated Check Entry
ATX	Financial EDI Acknowledgment
BOC	Back Office Check Conversion Entry
CCD	Cash Concentration or Disbursement This is corporate payment format used primarily for the intra-company concentration of funds, or inter-company payment or collection of funds.
CIE	Customer Initiated Entry – consumer credit to a business
COR	Notification of Change or Refused Notification of Change
CTX	Corporate to Corporate Entries with multiple Addenda Records
CFR	Code of Federal Regulations
DNE	Death Notification Entries Agencies of the federal government use these to notify a DPI that the recipient of government benefits has died.
ENR	Automated Enrollment Entry
EFT	Electronic Funds Transfer
EFTPS	Electronic Federal Tax Payment System System being implemented by the IRS and U.S. Treasury to replace the paper coupon system for collection of corporate and consumer taxes.
FI	Financial Institution
IAT	International ACH Entry
MTE	Machine Transfer Entry
Nacha	National Automated Clearing House Association
ODFI	Originating Depository Financial Institution
POP	Point of Purchase Entry
POS	Point of Sale Entry
PPD	Prearranged Payment or Deposit A consumer payment application, usually used for standing authorizations; subject to Regulation E, if recurring; also can be used for one-time authorizations.
RCK	Re-presented Check Entry
RDFI	Receiving Depository Financial Institution
SEC	Standard Entry Class Code
SHR	Shared Network Transaction
SSA	Social Security Administration

TEL	Telephone Initiated Entry
TRC	Check Truncation Entry
TRX	Check Truncation Entries Exchange
VA	Veterans Administration
WEB Cr	Person-to-Person Credit Entry initiated by any means
WEB Db	Web Initiated Entry
XCK	Lost or Destroyed Check Conversion Entry