

Compliance and Operational Topics / Minor Rules Issues

This rule amends seven specific areas of the *NACHA Operating Rules* to address minor topics:

- Point-of-Sale (POS) Entries – Clarification of General Rule;
- Return Fee Entry Formatting Requirements;
- Entry Detail Record for Returns – Clarification Regarding POP Entries;
- Clarification of RDFI's Obligation to Recredit Receiver;
- Clarification on Prenotification Entries and Addenda Records;
- Clarification of Audit Requirements for Participating DFIs Reporting Network Administration Fees; and
- Clarification on Company Identification for P2P WEB Credit Entries.

Compliance and Operational Topics / Minor Rules Issues

1. Point-of-Sale (POS) Entries - Clarification of General Rule

(effective January 1, 2015)

- This Rule modifies Article Two, subsection 2.5.11.1 (General Rule for POS Entries) to include language recognizing POS credit Entries. This change is for clarity only and recognizes current practice. It will have no impact on ACH Network participants.

2. Return Fee Entry Formatting Requirements

(effective January 1, 2015)

- This Rule revises Article Two, subsection 2.14.3 (Formatting Requirements for Return Fee Entries) and Appendix Three, subpart 3.2.2 (Individual Name) to clarify field content requirements for PPD Return Fee Entries specific to returned ARC, BOC, and POP Entries. This Rule also modifies Appendix Four, Part 4.2 (Table of Return Reason Codes) by expanding the "notes" if solely due to no Receiver's name in the Entry. This change should have no impact on ACH participants as it recognizes current industry practice regarding the formatting of fees for check conversion entries.

3. Entry Detail Record for Returns - Clarification Regarding POP Entries

(effective January 1, 2015)

- This Rule adds a new footnote to clarify mapping information specific to POP returns to Appendix Four, subpart 4.3.4 (Entry Detail Record Format for Returns). This change is for clarity only and recognizes current practice. It will have no impact on ACH Network participants.

4. Clarification of RDFI's Obligation to Recredit Receiver

(effective January 1, 2015)

- This Rule revises Article Three, section 3.11 (RDFI Obligation to Recredit Receiver) to make clear that an RDFI's obligation to recredit its account holder for unauthorized debit entries is generally applicable only to debits to Consumer Accounts (except as noted for check conversion and international Entries). This change is for clarity only and should have no impact on ACH participants.

5. Clarification on Prenotification Entries and Addenda Records

(effective January 1, 2015)

- This Rule revises Appendix One, Part 1.4 (File Structure) to (1) clarify that existing language regarding Prenotes under the heading "Entry Detail Record/Corporate Entry Detail Record" is specific only to the formatting of the Prenote's Entry Detail Record; and (2) add language under the heading "Addenda Records" to make clear that addenda records are not required for any Prenotes other than those related to IAT Entries. Further, this Rule adds language to Article Two, subsection 2.5.3 (General Rule for CCD Entries) to make clear that any Prenote transmitted with respect to a Health Care EFT Transaction need not include an addenda record.

6. Clarification of Audit Requirements for Participating DFIs Reporting Network Administration Fees
(effective upon voter approval - applicable for 2014 audit)

- This Rule revises subpart (e) of Appendix Eight (Rule Compliance Audit Requirements), Part 8.2 (Audit Requirements for All Participating DFIs) to clarify that this audit provision applies only to Participating DFIs reporting and filing fees for direct send transaction volume that is exchanged directly (i.e., not transmitted via an ACH Operator) to another non-affiliated Participating DFI.

7. Clarification on Company Identification for P2P WEB Credit Entries
(effective January 1, 2015)

- This Rule adds a notation for WEB entries to the field description for the Company Identification within Appendix Three, Subpart 3.2.2 (Glossary of Data Elements) to identify specific content requirements for Person-to-Person WEB credit entries.

Change to become effective AUGUST 22, 2014 - applicable for 2014 audit:

Clarification of Audit Requirements for Participating DFIs Reporting Network Administration Fees

- Revises Appendix Eight, Part 8.2 (e) to clarify that this audit requirement applies only to Participating DFIs reporting and filing fees for transactions that are not transmitted via an ACH Operator.

Changes to become effective on January 1, 2015:

Point of Sale (POS) Entries - Clarification of General Rule

- Revises Article Two, Subsection 2.5.11.1 to clarify that a POS Entry may be a credit entry when initiated as an adjusting entry to a previous debit Entry.

Return Fee Entry Formatting Requirements

- Revises Article Two, Subsection 2.14.3 and Appendix Three, Subpart 3.2.2 to align the formatting requirements with the underlying transaction to which the return fee relates.
- Modifies Appendix Four, Part 4.2, R03 notes to exclude the use of this code for Return Fee Entries related to ARC, BOC, or POP that do not contain a Receiver name,

Entry Detail Record for Returns - Clarification Regarding POP Entries

- Adds a footnote to Appendix Four, Subpart 4.3.4 to clarify the specific use of positions for a POP Return Entry.

Clarification of RDFI's Obligation to Recredit Receiver

- Adds language to Article Three, Section 3.11 to clarify that the RDFI's obligation to recredit a Receiver for an unauthorized debit entry is generally applicable to Consumer Accounts (except as noted for check conversion and international Entries).

Clarification on Prenotification Entries and Addenda Records

- Adds language to Article Two, Subsection 2.5.3 to clarify that a Prenotification Entry for a Health Care EFT transaction does not require an Addenda Record and modifies Appendix One, Part 1.4 for Entry Detail Record/Corporate Entry Detail Record and Addenda Record to make clear that Addenda Records are not required for any Prenotification Entry except those related to IAT Entries.

Clarification on Company Identification for P2P WEB Credit Entries

- Adds language to Appendix Eight, Subpart 3.2.2 (Company Identification) to clarify that the information contained in the Company Identification field identifies the Person-to-Person (P2P) service provider; the P2P service provider is either the ODFI or a Third-Party Service Provider.

Thursday, January 1, 2015

1. Point-of-Sale (POS) entries - Clarification of General Rule (effective January 1, 2015)

- This Rule re-aligns the general rule for POS Entries with the definition of POS Entries in Article Eight.
- A POS Entry is generally considered to be a debit Entry initiated at an electronic terminal by a consumer to pay an obligation incurred in a point-of-sale transaction. However, a POS Entry can also be an adjusting or other credit Entry related to the debit Entry, transfer of funds, or obligation (for example, a credit to refund a previous point-of-sale transaction). While the definition of POS within Article Eight recognizes these Entries as both debits and credits, the general rule for POS within Article Two currently identifies POS Entries only as debits. This Rule corrects this discrepancy.

2. Return Fee Entry Formatting Requirements (effective January 1, 2015)

- This Rule revises the formatting requirements for certain Return Fee Entries to align with the formatting requirements specific to the underlying transactions to which the return fee relates. Specifically, this Rule modifies the description of the Individual Name Field in a PPD Return Fee Entry related to a returned ARC, BOC, or POP Entry to require that it contain the same information identified within the Original ARC, BOC, or POP Entry. The Individual Name Field is optional for ARC, BOC, and POP; therefore, this field (1) may include the Receiver's name, (2) may include a reference number, identification number, or code that the merchant needs to identify the particular transaction or customer, or (3) may be blank. Presently, the name of the Receiver must be included in all PPD Entries.
- With ARC, BOC, or POP Entries, where a reading device must be used to capture the Receiver's routing number, account number, and check serial number, it is difficult for the Originator to capture the Receiver's name in an automated fashion. For this reason, the *NACHA Operating Rules* do not require Originators to include the Receiver's name in the ARC, BOC, or POP Entry Detail Record. Originators are permitted the choice of including either the Receiver's name, or a reference number, identification number, or code necessary to identify the transaction, or the field may be left blank. Because information contained within the returned ARC, BOC, or POP Entry is typically used to create a related Return Fee Entry, the Receiver's name is likely not readily available to the Originator for use in the Return Fee Entry, especially when the Receiver's authorization for the Return Fee Entry was obtained by notice.
- This change establishes consistent formatting requirements with respect to the Receiver's name for check conversion entries and related return fees.

3. Entry Detail Record for Returns - Clarification Regarding POP Entries (effective January 1, 2015)

- This Rule adds a footnote to the Entry Detail Record for Return Entries to clarify the specific use of positions 40-54 with respect to the return of a POP Entry.

- On a forward POP Entry, positions 40-54 represent three separate fields to convey (1) the check serial number (positions 40-48); (2) the truncated name or abbreviation of the city or town in which the electronic terminal is located (positions 49-52); and (3) the state in which the electronic terminal is located (positions 53-54). However, these three fields are not explicitly identified in the Entry Detail Record for Return Entries, causing some confusion among users as to how to map such information from the original forward Entry into the Return Entry format. In cases where unique return formatting requirements exist for certain SEC Codes, footnotes are typically included with the return layout to clarify the proper formatting of such data.

4. Clarification of RDFI's Obligation to Recredit Receiver

(effective January 1, 2015)

- This Rule clarifies that an RDFI's obligation to recredit a Receiver for an unauthorized or improper debit Entry is generally limited to Consumer Accounts, with certain exceptions for check conversion and international transactions.
- Prior to NACHA's rules simplification initiative in 2010, the rules governing a Receiver's right to recredit for unauthorized debit entries clearly limited this provision to debit Entries affecting Consumer Account, except as expressly provided for ARC, BOC, IAT, and POP Entries (which can affect both consumer and business accounts). However, when rules language was combined and revised during the simplification process into a general discussion on recredit, some of this clarity was lost, resulting in language that is somewhat ambiguous and the cause of confusion for some ACH participants. This change more clearly defines the intent of the rule requirement for an RDFI to recredit a Receiver.

5. Clarification on Prenotification Entries and Addenda Records

(effective January 1, 2015)

- This Rule revises the *NACHA Operating Rules* to clarify that, with the exception of IAT Entries, a Prenotification Entry is not required to include addenda records that are associated with a subsequent live Entry.
- Generally speaking, the *Rules* require the format of a Prenotification Entry to be the same as a live dollar entry. There are, however, some differences between Prenotes and live Entries to which the Prenote relate:
 1. the dollar amount of a Prenotification Entry must be zero.
 2. a Prenotification Entry is identified by a unique transaction code; and
 3. addenda records associated with a live Entry are not required with Prenotes (unless the Prenote relates to an IAT Entry).
- While the first two formatting criteria (above) for Prenotification Entries are clearly defined within the technical standards and are commonly understood by industry participants, the issue of whether Prenotification Entries require addenda record is somewhat ambiguous within the *Rules*. This has resulted in confusion for some ACH participants.
- The *Rules* require an RDFI receiving a Prenotification Entry to verify only that the account number contained within the Entry is for a valid account. At its discretion, the RDFI also may choose to validate the accuracy of other information contained within a Prenotification Entry, including any remittance information transmitted within related addenda records; however, it is not obligated to do so. Thus, while the *Rules* do not prohibit an Originator from transmitting addenda records with Prenotification Entries, an Originator is also not required to include addenda records with such Entries and should have no expectation that an RDFI will do any processing or verification of remittance data contained within. Originators wishing to validate proper formatting of remittance data for future entries to a non-consumer account should, instead, transmit a zero dollar Entry using the appropriate zero dollar transaction code.

6. Clarification of Audit Requirements for Participating DFIs Reporting Network Administration Fees

(effective upon approval - applicable for 2014 audit)

- This Rule revises the annual rules compliance audit provisions for all Participating DFIs to clarify that a Participating DFI's obligation to verify that it has paid annual and per-Entry fees to NACHA is applicable only when

that Participating DFI exchanges Entries through a means other than through an ACH Operator (i.e., a direct send between the Participating DFI and another, non-affiliated Participating DFI).

7. Clarification on Company Identification for P2P WEB Credit Entries

(effective January 1, 2015)

- This Rule adds language to the Company Identification field description to clarify content requirements for Person-to-Person (P2P) WEB credit Entries.
- For P2P WEB credit Entries, the Company/Batch Header Record identifies the P2P service provider (i.e., the consumer Originator's own financial institution or a third-party service provider) rather than the consumer Originator. While the P2P Rule included a change to specifically define service provider content requirements for the Company Name field, it omitted the same clarification for the Company Identification, which is related field. This change would eliminate any potential confusion over proper formatting of this field.

Recently implemented

EFFECTIVE UPON APPROVAL (AUGUST 22, 2014)

Clarification of Audit Requirements for Participating DFIs Reporting Network Administration Fees

Q: What is the purpose of this change?

- This amendment revises the annual rules compliance audit provisions for all Participating DFIs to clarify that a Participating DFI's obligation to verify that it has paid annual and per Entry fees to NACHA is applicable only when that Participating DFI exchanges Entries through a means other than through an ACH Operator (i.e., a direct send between the Participating DFI and another, non-affiliated Participating DFI).

Q: What does "effective upon approval" mean?

- This change is applicable for 2014 audits. DFIs with no direct-send volume do not need to perform this for their 2014 audit or other audits going forward.

Q: I have direct-send ACH volume, how does this affect me?

- This change does not affect you. You should continue to audit to ensure that your institution has paid annual and per-Entry fees to NACHA.

Q: I don't have ACH direct-send volume, how does this affect me?

- This change is to clarify that because you have no direct-send volume, you do not have to audit that your institution has paid annual and per-Entry fees to NACHA.

EFFECTIVE DATE OF JANUARY 1, 2015

Point-of-Sale (POS) Entries - Clarification of General Rule

Q: What is the purpose of this change?

- This amendment re-aligns the general rule for POS Entries with the definition of POS Entries in Article Eight. A POS Entry is generally considered to be a debit Entry initiated at an electronic terminal by a consumer to pay an obligation incurred in a point-of-sale transaction. However, a POS Entry can also be an adjusting or other credit Entry related to the debit Entry, transfer of funds, or obligation (for example, a credit to refund a previous point-of-sale transaction). While the definition of POS within Article Eight recognizes these Entries as both debits and credits, the general rule for POS within Article Two currently identifies POS Entries only as debits. This Rule will correct this discrepancy.

Return Fee Entry Formatting Requirements

Q: What is the purpose of this change?

- This amendment revises the formatting requirements for certain Return Fee Entries to align with the formatting requirements specific to the underlying transaction to which the return fee relates. Specifically, this Rule modifies the description of the Individual Name Field in a PPD Return Fee Entry related to a returned ARC, BOC, or POP Entry to require that it contain the same information identified within the original ARC, BOC, or POP Entry. The Individual Name Field is optional for ARC, BOC, and POP; therefore, this field (1) may include the Receiver's name, (2) may include a reference number, identification number, or code that the merchant needs to identify the particular transaction or customer, or (3) may be blank. Presently, the name of the Receiver must be included in all PPD Entries.

Q: Does the Receiver's name have to be included in a Return Fee Entry if the Entry relates to an ARC/BOC/POP entry?

- No, the original ARC/BOC/POP may not have included the Receiver's name. If it did not, then the Return Fee Entry should contain the content of the Individual Name Field from the original entry.

Q: Can I use R03 to return a Return Fee Entry that does not contain the Receiver's name?

- No, because the Receiver's name may not have been included in the original ARC/BOC/POP entry, it may not have been included in the Return Fee Entry, so the Table of Return Reason Codes has been expanded in the "notes" for R03 to exclude the use of this code for Return Fee Entries related to ARC, BOC, or POP if solely due to no Receiver's name in the Entry.

Entry Detail Record for Returns - Clarification Regarding POP Entries

Q: What is the purpose of this change?

- This amendment adds a footnote to the Entry Detail Record for Return Entries to clarify the specific use of positions 40-54 with respect to the return of a POP Entry.
- On a forward POP Entry, positions 40-54 represent three separate fields to convey (1) the check serial number (positions 40-48); (2) the truncated name or abbreviation of the city or town in which the electronic terminal is located (positions 49-52); and (3) the state in which the electronic terminal is located (positions 53-54). However, these three fields are not explicitly identified in the Entry Detail Record for Return Entries, causing some confusion among users as to how to map such information from the original forward Entry into the Return Entry format. In cases where unique return formatting requirements exist for certain SEC Codes, footnotes are typically included with the return layout to clarify the proper formatting of such data.

Clarification of RDFI's Obligation to Recredit Receiver

Q: What is the purpose of this change?

- This amendment clarifies that an RDFI's obligation to recredit a Receiver for an unauthorized or improper debit Entry is generally limited to Consumer Accounts, with certain exceptions for check conversion and international transactions.
- Prior to NACHA's rules simplification initiative in 2010, the rules governing a Receiver's right to recredit for unauthorized debit entries clearly limited this provision to debit Entries affecting Consumer Accounts, except as expressly provided for ARC, BOC, IAT, and POP Entries (which can affect both consumer and business accounts). However, when rules language was combined and revised during the simplification process into a general discussion on recredit, some of this clarity was lost, resulting in language that is somewhat ambiguous and the cause of confusion for some ACH participants.

Clarification on Prenotification Entries and Addenda Records

Q:What is the purpose of this change?

- This amendment revises the NACHA Operating Rules to clarify that, with the exception of IAT Entries, a Prenotification Entry is not required to include addenda records that are associated with a subsequent live Entry.

Q: Does a prenote for an IAT require addenda?

- Yes, an IAT Entry, even if it is a prenote, must include all the required addenda records.

Q: Does a Healthcare prenote require addenda?

- No, a CCD Entry that is being used for a Healthcare payment prenote does not need to include an addenda record.

Q: If a prenote has addenda information, does the RDFI have to validate the contents of the addenda?

- No, the Rules do not prohibit an Originator from transmitting addenda records with Prenotification Entries, but an Originator is also not required to include addenda records with such Entries and should have no expectation that an RDFI will do any processing or verification of remittance data contained within. AN RDFI is not required to validate information contained in an addenda to a prenote.

Q: If an Originator wants to have content of a prenote validated, what should they do?

- Originators wishing to validate proper formatting of remittance data for future entries to a non-consumer account should contact their Receiver partner to determine the best method to accommodate this. This may be performed using a zero dollar Entry with the appropriate zero dollar transaction code.

Clarification on Company Identification for P2P WEB Credit Entries

Q: What is the purpose of this change?

- This amendment adds language to the Company Identification field description to clarify content requirements for Person-to-Person (P2P) WEB credit Entries. For P2P WEB credit Entries, the Company/Batch Header Record identifies the P2P service provider (i.e., the consumer Originator's own financial institution or a third-party service provider) rather than the consumer Originator. While the P2P Rule included a change to specifically define service provider content requirements for the Company Name field, it omitted the same clarification for the Company Identification, which is a related field. This change will eliminate any potential confusion over proper formatting of this field.

Q: Should the content of the Company Name Field and the Company Identification Field relate to the same entity?

- Yes, for a P2P WEB credit entry both fields should contain information related to the consumer's own financial institution or P2P service provider, not the consumer Originator.