**Policy 2611: ACH Operations and Management**

**Model Policy Revised Date: 10/03/2024**

**General Policy Statement:**

This policy covers the credit union’s responsibilities concerning the activities and procedures of [[CUname]]'s (Credit Union) automated clearing house (ACH) operations. The Credit Union will comply with all NACHA Operating rules, OFAC sanctions, the Green Book, Federal and state laws and regulations, Uniform Commercial Code Article 4A, and other related requirements.

1. **PERMITTED ACH TRANSACTIONS**. The Credit Union will act as a receiving depository financial institution (RDFI) for the purpose of receiving ACH credit or debit entries initiated by third parties to members' accounts at the Credit Union. At the discretion of management, the Credit Union may serve as an originating depository financial institution (ODFI) for the purpose of originating ACH debit or credit entries to members' accounts at other financial institutions.   
      
   Without approval by the CEO, the Credit Union will not initiate (or agree with a member to initiate) ACH debit or credit entries on behalf of a member to accounts of other parties.
2. **COMPLIANCE**. The Credit Union will conduct its ACH activities in compliance with all applicable rules of the National Automated Clearing House Association (NACHA), any applicable regional clearing house association rules, Regulation E, and other applicable federal and state law. The Credit Union will designate an employee responsible for compliance with applicable laws, regulations, and clearing house rules.
3. **RISK ASSESSMENT**. The Credit Union will conduct a risk assessment of its ACH activities, implement risk management programs based on the results of such assessments, and comply with regulatory requirements with respect to the assessment and risk management program. The assessment will stress the importance of the following:
   1. The nature of risks associated with ACH activity;
   2. Performing appropriate member due diligence (See Policy 2110, BSA);
   3. Establishing controls for Originators, third parties and direct access to ACH Operator relationships; and
   4. Acknowledging the utilization of the ACH network to purchase Cryptocurrency and online legal and illegal internet gambling
   5. Having adequate management, information and reporting systems to monitor and mitigate risk (***See Policy 2620, Remote Deposit Capture***).
4. **PROCESSING DAYS.**
   1. The Credit Union will observe the following days as “holidays” or “non-processing” days in addition to the regular Federal Reserve Bank schedule of holidays: [[2611-3]].
   2. ACH credit entries will be made available for withdrawal no later than the Settlement Date (even if “non-processing” day) of the entry.
   3. Eligible ACH Same Day credit entries will be made available to the member the same day received, to satisfy other subsequent debit entries against the account by the settlement date for each processing window.
   4. Eligible ACH Same Day debit entries will be processed the same day settlement date or end of the Credit Union’s processing day (third window).
   5. ACH debit transactions having a non-processing day Settlement Date will be posted on the [[2611-4]]. The Credit Union will disclose non-processing days to Originators and on an annual basis will provide them with a calendar, identifying non-processing days for that year.
   6. The Credit Union will process/post ACH entries on the next possible processing day, when Settlement Dates conflict with disclosed non-processing days.
5. **ACH CONSUMER TRANSACTIONS**.
   1. **Acceptance of ACH Entries**. The Credit Union will accept all debit and credit ACH transactions and prenotifications with the following exceptions:
      1. Destroyed Check Entries, which bear Standard Entry Class Code XCK, [[2611-5]] accepted. The Credit Union reserves the right to refuse XCK entries if the originating depository financial institution (ODFI) cannot produce a check copy, if requested by the account owner, or, if other difficulties occur in obtaining entry information.
      2. The Credit Union will affect refusal by returning an “XCK” entry within sixty days of the Settlement Date, using Return Reason Code R33 (“Return of XCK Entry”).
      3. The Credit Union will honor requests by ODFIs to return entries when the following conditions are met (and will notify the ODFI of its decision whether or not the request will be honored):
         1. The entry return will not cause an overdraft on the member’s account;
         2. The ODFI has positively identified itself and provides written indemnification to the credit union of its request for the return;
         3. The request is received within at least five days of the Settlement Date; and
         4. The return does not interfere with any Credit Union actions.
   2. **Same Day ACH**. The Credit Union will accept eligible same day ACH credits and debits, provided the file is submitted by the appropriate deadline. The Credit Union as RDFI can rely on the Settlement Date of an entry, regardless of the Effective Entry Date. An Entry with a stale or invalid Effective Entry Date will also be a Same Day Entry if it is transmitted by the ACH Operator’s deadline for same day processing and settlement. International ACH transactions or transactions over $1,000,000 are not eligible for same day ACH.
   3. **Regulation E Disclosures**. The Credit Union will comply with the disclosure requirements of Federal Regulation E, as those disclosure requirements are impacted by the Credit Union’s ACH operations.
   4. **OFAC Compliance**. The Credit Union will ensure that it screens all domestic and international (IAT) ACH transactions according to the Credit Union’s Office of Foreign Assets Control (OFAC) policy (***See Policy 2145***). Any OFAC matches that are verified will be handled according to OFAC regulations outlined in the Credit Union’s OFAC policy.
      1. The credit union may not refuse to receive IAT entries, but may refuse IATs for specific reasons outlined in the NACHA Operating Rules and Guidelines
   5. **Unlawful Internet Gambling**. The Credit Union will follow the guidance of the Credit Union's Unlawful Internet Gambling Policy (***See Policy 2205***) in regard to ACH Management.
   6. **Stop Payment of ACH Entries**. The Credit Union’s employees will use procedures to inform members of the difference between requests for “Stop Payment” of ACH entries and requests for the return of payments which are unauthorized because of either (1) revocation of a once valid authorization, (2) notice by the member that a valid authorization was not given for the payment(s) specified, or (3) improper electronic check entries.
      1. A stop pay order obtained verbally will be binding for fourteen (14) days.
      2. A signed stop payment order will remain in effect until the earlier of:
         1. The withdrawal of the stop payment order by the Receiver; or
         2. The return of the debit entry, or, where a stop payment order is applied to more than one debit entry under a specific authorization involving a specific Originator, the return of all such debit entries.
      3. Procedures will be developed to identify Represented Check Entries paid after identification of electronic check entries upon which a “Stop Payment” has been placed.
   7. **Written Statements of Unauthorized Debit (WSUD)**. The Credit Union will require a signed written statement from the member prior to returning an entry that the member claims is unauthorized or for which the authorization has been revoked or for an improper electronic check entry. A WSUD will be permitted to be signed and dated on or after the date on which the entry is presented, even if the debit has not yet been posted to the account, in order to improve the process when debits are claimed to be unauthorized. When returning a debit to the ODFI as unauthorized in the extended return timeframe, the Credit Union (as RDFI) must do so by the opening of the sixth Banking Day following the completion of its review of the member’s signed WSUD, but in no case later than the sixtieth calendar day following the Settlement Date of the original entry.   
         
      The Credit Union will retain the written statement for a six-year period following the return. In the case of unauthorized debit entries, the Credit Union will provide [[2611-6]] to the member, if the member has notified the Credit Union in accordance with procedures disclosed in the “Error Resolution Notice.”
   8. **Government Benefit Payments**. The Credit Union [[2611-7]] initiates “Automated Enrollment” (ENR) Entries to transmit information to enroll government benefit recipients for Direct Deposit for participating government agencies. The Credit Union will maintain SF1199-A enrollment forms for at least [[2611-8]] after receipt of the first successful Direct Deposit of a receiver's government benefit payment. The Credit Union will establish procedures for the review of the initial benefit payments received by beneficiaries or representative payees prior to destruction of SF1199-A forms. In the event that the Credit Union decides to close an account that receives government benefit payments, the Credit Union will notify the account owner of its intent at least thirty (30) days in advance. The Credit Union will **not** give advance notice if the Credit Union suspects fraudulent activity on the account. The Credit Union will document its suspicions. If the Credit Union has knowledge of the death of a federal government payment recipient or the incapacity of a representative payee, the Credit Union will investigate the matter to limit the Credit Union’s liability.
6. **RETURN OF ACH ENTRIES**. The Credit Union will return ACH entries so that they will be available to the ODFI no later than the beginning of business on the second banking day following the Settlement Date of the original entry, with the exception of return entries processed the same day, or consumer entries returned revoked or unauthorized. The Credit Union may return eligible entries for same day processing regardless of whether the forward transaction is a same day transaction. Those returns must be received prior to 4:45 pm ET to be eligible for same day settlement. The Credit Union will utilize return code R17 to return an entry that it believes to be fraudulent, using the word “QUESTIONABLE” in the return addenda record of the return entry.
7. **ORIGINATION OF ACH ENTRIES**. As an ODFI, the Credit Union may offer the following ACH service products to its customers: [[2611-9]].   
      
   In addition, the Credit Union may accept ACH files from the following input resources: [[2611-9.1]]
   1. The Credit Union will obtain written authorization from a member before initiating an ACH entry to the member's account at another institution and will adopt adequate procedures and safeguards to ensure that recurring ACH entries will be originated in accordance with the member's instructions.
   2. Before initiating entries to third party accounts on behalf of any business member, the Credit Union will conduct an analysis of the risk associated with such operations and will adopt appropriate restrictions or protections based on the member's proposed activity and financial condition. The Credit Union will seek legal assistance to prepare necessary agreement(s) with the member. Such arrangements require CEO approval.
   3. The Credit Union may offer Same Day ACH origination to members for eligible credit and debit transactions. Same Day ACH is not available for international ACH transactions (IATs) and transactions above $1,000,000. Before originating Same Day ACH, the Credit Union will conduct an analysis of the risks associated and will adopt appropriate restrictions on the availability to members.
   4. **Agreements with Originators**. The Credit Union as ODFI will ensure that each agreement with an Originator that is entered, renewed or extended, and that provides for authorization of ACH transactions will expressly address the following:
      1. Any restrictions on the types of ACH transactions that may be originated;
      2. The right of the ODFI to terminate or suspend the agreement for breach of the NACHA Rules, upon at least ten (10) business days’ notice, in a manner that permits the ODFI to comply with the Rules; and
      3. The right of the ODFI to audit the Originator’s compliance with the agreement and the NACHA Rules.
   5. **Agreements with Third-Party Senders**. The Credit Union as ODFI will ensure that each agreement with a Third-Party Sender that is entered, renewed or extended, and that provides for authorization of ACH transactions will expressly address the following:
      1. Any restrictions on the types of ACH transactions that may be originated;
      2. The right of the ODFI to terminate or suspend the agreement for breach of the NACHA Rules, upon at least ten (10) business days’ notice, in a manner that permits the ODFI to comply with the Rules; and
      3. The right of the ODFI to audit the Third-Party Sender and its Originator’s compliance with the agreement and the NACHA Rules.
   6. **Exposure Limits**. When the Credit Union as ODFI receives an entry that has been sent or transmitted directly by an Originator that is not a natural person or by a Third-Party Sender, the Credit Union will ensure that it has done the following:
      1. Performed due diligence with respect to such Originator or Third-Party Sender sufficient to form a reasonable belief that such Originator or Third-Party Sender has the capacity to perform its obligations in conformance with the NACHA Rules;
      2. Assessed the nature of the Originator’s or Third-Party Sender’s ACH activity and the risks it presents;
      3. Established an exposure limit for the Originator or Third-Party Sender; and
      4. Established procedures to monitor the Originator’s or Third-Party Sender’s origination and return activity across multiple settlement dates, enforce restrictions on the types of ACH transactions that may be originated, and enforce the exposure limit.
   7. **Registration**. The Credit Union will register Third-Party senders with NACHA within 30 days of transmitting the first entry on behalf of the Third-Party Sender.
      1. The Credit Union will also:
         1. Update the registration within 45 days following any change.
         2. Comply with providing supplemental registration information when requested by NACHA.
         3. If applicable, register with NACHA to indicate no Third-Party Senders.
      2. To reduce risk, the Credit Union will have a procedure in place for dual control of ACH originations.
      3. The Credit Union may offer Same Day origination to members for eligible credit and debit transactions.
8. **PRICING AND SCHEDULING**. The Credit Union will incorporate the schedule of fees for ACH origination services in each Originator’s agreement. The Credit Union will create a general processing schedule for ACH origination services.
9. **PROCESSING SCHEDULES**. The Credit Union will require Originators to provide an annual schedule identifying the effective and delivery dates of all files it intends to process for each ACH application. The Credit Union will consolidate all Originators’ processing schedules to create an annual ACH processing calendar. The calendar will be reviewed for conflicts between planned effective or processing dates and the Credit Union/or Federal Reserve Bank holidays or non-processing days. Exceptions will be reported to Originators so that schedules may be adjusted.
10. **UNIFORM COMMERCIAL CODE ARTICLE 4A DISCLOSURES**. If the Credit Union processes any “wholesale credit” transactions, the Credit Union will provide the following standard UCC 4-A disclosures as a part of the company agreement to Originators of such transactions: (a) Provisional Payment Disclosure, (b) Reliance of RDFI on Account Number Information, and (c) Choice of Law Disclosure. The Credit Union also will disclose an agreed upon method of securing files and overall payment processing as part of the company agreement. The Credit Union will notify business account owners of ACH “wholesale” credit and debit transactions (corporate payments) through the periodic account statement, unless special arrangements are negotiated between the account owner and the Credit Union in a written agreement. The Credit Union will provide payment information, including addendum information, to account owners.
11. **OPTIONAL PRENOTIFICATIONS FOR CORPORATE PAYMENT APPLICATIONS**. Pre-notes are optional for business and consumer payment entries. If originated, they must be submitted three (3) business days prior to the initiation of the first payment. The Credit Union will decide whether pre-notes will be required on an individual basis. All originating companies that desire to pre-note will be allowed the option. Pre-note requirements, if imposed, will be disclosed as part of the company agreement. The Credit Union may offer same day settlement pre-notes for credit and debit entries.
12. **RECEIVING HEALTH CARE EFT TRANSACTIONS**. The Credit Union will, upon the request of the member receiving health care EFT transactions, provide all information contained within the Payment Related Information field of the CCD Addendum Record.
13. **ORIGINATING HEALTH CARE CLAIM PAYMENTS**. If the Credit Union originates a health care claim payment for a member, the Credit Union will:
    1. Clearly identify CCD entries that are health care EFT transactions by populating the Company Entry Description field (field 7 of the Batch Header Record) with “HCCLAIMPMT”;
    2. Ensure that the Company Name field (field 3 of the Batch Header Record) is populated with the name of the health plan or third-party administrator that is recognized by the healthcare provider and the party the provider submits its claims; and
    3. Ensure that each health care EFT transaction includes one addendum record and that the Payment-Related Information field (Field 3 of the CCD Addendum Record) contains the ANSI ASC X12 835 version 5010 TRN Reassociation Trace Number data segment.
       1. The data segment terminator for the TRN Reassociation Trace Number can be either the backslash or the tilde.
14. ​​​​​​ **ORIGINATING INTERNATIONAL ACH TRANSACTIONS (IATs)**  
    1. **Participation**. In order to participate in IAT origination, the Credit Union must first contact the Federal Reserve to participate in their FedACH International Service or a major U.S. bank that is offering this service for correspondent banks. The Credit Union will also secure an agreement with a Gateway Operator to originate IATs (A Gateway Operator acts as an entry point to or exit from the United States for ACH payment transactions).
    2. **Recognition of IATs**. An IAT is defined broadly as an ACH entry that is part of a payment transaction involving a financial agency’s office that is not located in the territorial jurisdiction of the United States. The Credit Union will ensure that it properly identifies all IATs that are originated by the Credit Union.
    3. **Submission of IATs - Travel Rule Requirement**. For all transmittal orders (regardless of amount), the Credit Union will include the following information to the receiver:
       1. Name of transmittor and the account number of the transmitter (if the payment is ordered from an account);
       2. Address of the transmittor;
       3. Amount of the transmittal order;
       4. Date of the transmittal order;
       5. Identity of the transmittor’s and recipient’s financial institution; and
       6. As much of the following information of the recipient as possible: name, address, account number and any other specific identifier.
    4. **OFAC Compliance**. The Credit Union will ensure that it screens all IATs according to the Credit Union’s OFAC policy (See Policy 2145). Any OFAC matches that are verified will be handled according to OFAC regulations outlined in the Credit Union’s OFAC policy.
15. ​​​​​​**REINITIATION OF RETURNED ACH TRANSACTIONS**. An ACH entry that has been returned may not be reinitiated unless (1) the entry has been returned for insufficient or uncollected funds; or (2) the entry has been returned for stopped payment and reinitiation has been authorized by the Receiver; or (3) the ODFI has taken corrective action to remedy the reason for the return. The Credit Union [[2611-9.2]] automatically reinitiates ACH entries returned for reason of insufficient or uncollected funds on behalf of the Originator. The Originator, through an agreement with the Credit Union [[2611-9.3]] recreate and deliver to the Credit Union all entries which it elects to reinitiate, as permitted under ACH Rules.
16. ​​​​​​**ACH OPERATOR**. The Credit Union uses [[2611-9.7]] as their ACH Operator.
17. ​​​​​​**ACH CREDIT POLICY**. The Credit Union will exercise specific procedures for credit approval, activity reporting, and periodic review and in compliance with the Credit Union’s [[2611-9.4]] to members considered for ACH origination products.
18. ​​​​​​**ACH SECURITY FRAMEWORK**. The Credit Union will provide data security measures for member’s non-public personal information initiated, processed or stored in the ACH Network according to the ACH Security Framework requirements of the NACHA Rules. These measures will include:
    1. Protecting the confidentiality and integrity of member’s non-public personal information;
    2. Protecting against anticipated threats or hazards to the security or integrity of member’s non-public personal information; and
    3. Protecting against unauthorized use of member’s non-public personal information that could result in harm to a member.
19. **ACH AUDIT**. The Credit Union will conduct an ACH audit in accordance with the minimum ACH audit requirements of the current NACHA Rules. The scope, outline and scheduling for the ACH Audit shall comply with the Credit Union’s ACH Audit policy (***See Policy 2612***).
20. **ACH EDUCATION AND TRAINING**. In order to maintain compliance under the various regulatory sources for ACH services, the Credit Union will implement [[2611-9.5]] training. The Credit Union will assign specific responsibilities for ACH receipt and origination functions to the following designated personnel: [[2611-9.6]].
21. **BONDING**. The Credit Union will maintain adequate bonding for employee errors and omissions and faithful performance coverage.
22. **THIRD PARTY SERVICE PROVIDERS**. The Credit Union will comply with the Credit Union’s Third-Party Due Diligence & Oversight policy (see Policy 2185) when involving third-party service providers in the ACH process.
23. **THIRD PARTY PROCESSORS**. The Credit Union will allow third-party senders to originate ACH transactions. The Credit Union will register their third-party senders and/or nested third-party senders or acknowledge no third-party senders with NACHA. The Credit Union will also conduct annual risk assessments and audits on each third-party sender (included nested third-party senders as applicable) as required under NACHA Rules.
24. **CONTINGENCY PLANNING**. The Credit Union will follow their contingency planning policies and associated procedures in the event there is a disruption or inability to process ACH transactions.
25. **FRAUD.** The Credit Union is permitted to delay funds availability as an RDFI if the credit was flagged by fraud detection systems and the Credit Union believes the transaction was originated under false pretenses. In addition, the Credit Union will also permit the member to complete a Written Statement of Unauthorized Debit (WSUD) prior to the debit positing to his/her account. The Credit Union as the RDFI then must return the debit as unauthorized by the sixth banking day following the completion of the review of the member’s signed WSUD.