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NOTICE OF AMENDMENTS  
TO THE  
2015 NACHA OPERATING RULES

September 18, 2015  
SUPPLEMENT #2-2015

1. Recrediting Receiver – Removal of the Fifteen Calendar Day Notification Time Frame  
*Effective Date: January 1, 2016*
  
  2. Clarification of RDFI Warranties for Notifications of Change  
*Effective Date: January 1 2016*
  
  3. Disclosure Requirements for Point-of-Sale Entries  
*Effective Date: March 18, 2016*
  
  4. Minor Rules Topics  
*Effective Dates: September 18, 2015  
January 1, 2016*
  
  5. Network Administration Fees  
*Effective Date: January 1, 2016*
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# Supplement #2-2015 to the *NACHA Operating Rules*

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On September 4, 2015, the NACHA Voting Membership approved eight amendments to the *NACHA Operating Rules (Rules)*. The effective dates for the eight topics covered by these rule changes range from September 18, 2015 to March 18, 2016. The effective date for each topic is included in the discussion of each rule change.

This supplement also contains the 2016 ACH Network Administration Fees as approved by NACHA's Board of Directors. The new fee schedule is effective January 1, 2016.

This supplement provides ACH Network participants with a summary of the key components of each change, along with details regarding the technical changes to *Rules* language. To ensure compliance with the most current rules, this Supplement should be used in conjunction with the 2015 edition of the *Rules*.

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## Recrediting Receiver – Removal of Fifteen Calendar Day Notification Time Frame

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*(Approved September 4, 2015 – Effective January 1, 2016)*

### SUMMARY

This Rule removes the fifteen calendar day notification period associated with an RDFI's obligation to promptly recredit a consumer account for an unauthorized debit entry, and aligns the RDFI's recredit obligation with its ability to transmit an Extended Return Entry.

### KEY COMPONENTS OF RULE AMENDMENT

Because of the extended return window for unauthorized consumer debits under the *Rules*, many RDFIs have found the reference to the fifteen calendar day timing to be a source of confusion and misunderstanding. This Rule revises the *Rules* to align the provision for prompt recredit with the RDFI's receipt of a Written Statement of Unauthorized Debit from the consumer and the RDFI's ability to transmit an Extended Return Entry (i.e., transmitted to the ACH Operator so that the Extended Return Entry is made available to the ODFI no later than opening of business on the banking day following the sixtieth calendar day following the settlement date of the original entry). This change applies to unauthorized/improper entries bearing Standard Entry Class Codes (SECs) that are classified as consumer entries, as well as those that can be both consumer and non-consumer entries (ARC, BOC, POP, and IAT debit entries).

### IMPACT TO PARTICIPANTS

*RDFIs:* This change will benefit RDFIs by removing outdated and potentially confusing language. This change is expected to have minimal to no operational impact on RDFIs, as it is believed to be consistent with current industry practice for handling consumer claims of unauthorized debit Entries. An RDFI's obligation to obtain a Written Statement of Unauthorized Debit from its consumer account holder prior to recrediting for an unauthorized debit Entry, and the Extended Return Entry deadline for such transactions, remain unchanged by this Rule.

*Receivers:* This change is not anticipated to impact consumer Receivers. Consumer Receivers of ACH debits can continue to provide Written Statements of Unauthorized Debits to their RDFIs and be recredited for unauthorized transactions.

*Originators/ODFIs:* This change is not anticipated to impact ODFIs or their Originators, in that it is not anticipated to change RDFIs' return practices.

### TECHNICAL SUMMARY

Below is a summary of the impact of Recrediting Receiver - Removal of Fifteen Calendar Day Notification Time Frame on the *NACHA Operating Rules*. Sections of the *Rules* that are affected by this amendment are also included and reflect rule language as it will read upon implementation in highlighted, italicized text.

- *Article Three, Subsection 3.11.1 (RDFI General Obligation to Recredit Consumer Accounts)* - removes the fifteen calendar day reference and adds language to clarify that the RDFI's obligation to recredit is triggered by the receipt of a Written Statement of Unauthorized Debit within the 60-day extended return time frame.

- *Article Three, Subsection 3.11.2.1 (RDFI Obligation to Recredit Non-Consumer Accounts for ARC, BOC and POP Entries)* - removes the fifteen calendar day text and clarifies that the RDFI's obligation to recredit is triggered by the receipt of a Written Statement of Unauthorized Debit within the 60-day extended return time frame.
- *Article Three, Subsection 3.11.2.3 (RDFI Obligation to Recredit for Debit IAT Entries)* - removes the fifteen calendar day reference and modifies to clarify that the RDFI's obligation to recredit is triggered by the receipt of a Written Statement of Unauthorized Debit within the 60-day extended return time frame.

**Implementation Date: January 1, 2016**

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*As approved September 4, 2015, effective January 1, 2016, the Rules will be amended as follows for changes related to Recrediting Receiver - Removal of Fifteen Calendar Day Notification Time Frame:*

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ARTICLE THREE

Rights and Responsibilities of RDFIs and Their Receivers

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**SUBSECTION 3.11.1 RDFI General Obligation to Recredit Consumer Accounts**

An RDFI must promptly recredit the amount of a debit Entry to a Consumer Account of a Receiver, regardless of the SEC Code of the debit Entry, if it receives notification from the Receiver in accordance with Section 3.12 (Written Statement of Unauthorized Debit), and such notification is received within fifteen calendar days from the date the RDFI sends or makes available to the Receiver information related to the debit Entry in accordance with Subsection 3.1.5 (RDFI Obligation to Provide Information about Entries).

*An RDFI must promptly recredit the amount of a debit Entry to a Consumer Account of a Receiver, regardless of the SEC Code of the debit Entry, if it receives notification from the Receiver in accordance with Section 3.12 (Written Statement of Unauthorized Debit), and such notification is received in time and in a manner that reasonably allows the RDFI to meet the deadline for Transmitting an Extended Return Entry as provided in Section 3.13 (RDFI Right to Transmit Extended Return Entries).*

The RDFI's obligation to recredit the Receiver's account for a debit Entry that is part of an Incomplete Transaction does not apply when a partial or erroneous payment was made to the intended third-party payee on the Receiver's behalf.

**SUBSECTION 3.11.2 RDFI Specific Obligations to Recredit Accounts for ARC, BOC, POP, RCK, and IAT Debit Entries**

**SUBSECTION 3.11.2.1 RDFI Obligation to Recredit Non-Consumer Accounts for ARC, BOC and POP Entries**

An RDFI must promptly recredit the amount of an ARC, BOC, or POP Entry to a Non-Consumer Account of a Receiver if it receives notification from the Receiver in accordance with Section 3.12 (Written Statement of Unauthorized Debit), and such notification is received within fifteen calendar days from the date the RDFI sends or makes available to the Receiver information related to the debit Entry in accordance with Subsection 3.1.5 (RDFI Obligation to Provide Information about Entries).

*An RDFI must promptly recredit the amount of an ARC, BOC, or POP Entry to a Non-Consumer Account of a Receiver if it receives notification from the Receiver in accordance with Section 3.12 (Written Statement of Unauthorized Debit), and such notification is received in time and in a manner that reasonably allows the RDFI to meet the deadline for Transmitting an Extended Return Entry as provided in Section 3.13 (RDFI Right to Transmit Extended Return Entries).*

**SUBSECTION 3.11.2.3 RDFI Obligation to Recredit for Debit IAT Entries**

An RDFI must promptly recredit the amount of a debit IAT Entry to the account of a Receiver if it receives notification from the Receiver in conformance with Section 3.12 (Written Statement of Unauthorized Debit), and such notification is received within fifteen calendar days from the date the RDFI sends or makes available to the Receiver information related to the debit Entry in accordance with Subsection 3.1.5 (RDFI Obligation to Provide Information about Entries). An RDFI may not recredit a Receiver's account if doing so is inconsistent with U.S. Legal Requirements, as provided in Subsection 1.2.1 (Effect of Illegality).

*An RDFI must promptly recredit the amount of a debit IAT Entry to the account of a Receiver if it receives notification from the Receiver in conformance with Section 3.12 (Written Statement of Unauthorized Debit), and such notification is received in time and in a manner that reasonably allows the RDFI to meet the deadline for Transmitting an Extended Return Entry as provided in Section 3.13 (RDFI Right to Transmit Extended Return Entries). An RDFI may not recredit a Receiver's account if doing so is inconsistent with U.S. Legal Requirements, as provided in Subsection 1.2.1 (Effect of Illegality).*

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## Clarification of RDFI Warranties for Notifications of Change

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*(Approved September 4, 2015 – Effective January 1, 2016)*

### SUMMARY

This Rule modifies the *Rules* with respect to Notifications of Change (NOCs) to clarify aspects of: 1) the RDFI's warranties made with respect to its transmission of a Notification of Change or Corrected Notification of Change; and, 2) the ODFI's warranties made with respect to usage of the corrected data within subsequent transactions.

### KEY COMPONENTS OF RULE AMENDMENT

This Rule clarifies that the RDFI's warranty for information contained in a Notification of Change or Corrected Notification of Change is applicable only to the corrected information supplied by the RDFI. This modification removes from the RDFI's warranty on NOCs the specific statement that the Receiver has authorized the change identified in the NOC, if the Receiver's authorization is required. This subsection has been misinterpreted to mean that it supersedes the ODFI's warranty that a subsequent Entry is properly authorized by the Receiver. The RDFI does not warrant that the Entry itself has been properly authorized by the Receiver, but only that the data supplied in the Corrected Data field is accurate. The warranty that any Entry (including a subsequent Entry that uses corrected data from an NOC) is properly authorized still lies with the ODFI per Article Two, Subsection 2.4.1.1 (The Entry is Authorized by the Originator and Receiver).

### IMPACT TO PARTICIPANTS

*Originators/ODFIs/RDFIs:* This change is expected to have minimal to no impact on these ACH Network participants.

### TECHNICAL SUMMARY

Below is a summary of the impact of the Clarification of RDFI Warranties for Notifications of Change Rule on the *NACHA Operating Rules*. Sections of the *Rules* that are affected by this amendment are also included and reflect rule language as it will read upon implementation in highlighted, italicized text.

- *Article Two, Subsection 2.4.2 – (Exceptions to ODFI Warranties for Entries Originated Using Corrected Data from Notification of Change)* – Adds a new subsection clarifying an ODFI's warranties with respect to the use of corrected data contained within an NOC.
- *Article Three, Subsection 3.9.3 (RDFI Warranties for Notifications of Change)* – Removes from this Subsection item (b), which references an RDFI's obligation to obtain (when required) the Receiver's authorization to transmit the NOC if the change relates to the Receiver's account number.

**Implementation Date:** **January 1, 2016**

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*As approved September 4, 2015, effective January 1, 2016, the Rules will be amended as follows for changes related to Clarification of RDFI Warranties for Notifications of Change:*

## ARTICLE TWO

## Rights and Responsibilities of ODFIs, Their Originators, and Third-Party Senders

**SUBSECTION 2.4.2 Exceptions to ODFI Warranties for Entries Originated Using Corrected Data from Notification of Change (NEW SUBSECTION)**

*An ODFI that relies on the information contained within the Corrected Data field of a Notification of Change Entry or Corrected Notification of Change Entry makes no warranty under subsections 2.4.1.2 (The Entry Complies with the Rules) and 2.4.1.4 (The Entry Contains Required Information) with respect to the corrected information in subsequent Entries.*

## ARTICLE THREE

## Rights and Responsibilities of RDFIs and Their Receivers

**SECTION 3.9 Notification of Change by RDFIs****SUBSECTION 3.9.3 RDFI Warranties for Notifications of Change**

In addition to the other warranties contained in these Rules, an RDFI that transmits a COR Entry, including a corrected COR Entry, warrants to each ODFI and ACH Operator that:

- (a) the information contained within the COR Entry or corrected COR Entry is correct; and
- (b) if the change relates to the Receiver's account number, the Receiver has authorized the change, if authorization is required, and the RDFI has complied with any applicable Legal Requirements for such authorization.

The RDFI's warranty supersedes and renders inoperative any similar warranty (but not any other warranty) of the ODFI contained within Subsection 2.4.1 (General ODFI Warranties).

*In addition to the other warranties contained in these Rules, an RDFI that transmits a COR Entry, including a corrected COR Entry, warrants to each ODFI and ACH Operator that the information contained within the Corrected Data field of a COR Entry or corrected COR Entry is correct.*

*The RDFI's warranty supersedes and renders inoperative any similar warranty (but not any other warranty) of the ODFI contained within Subsection 2.4.1 (General ODFI Warranties).*

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## Disclosure Requirements for POS Entries

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*(Approved September 4, 2015 – Effective March 18, 2016)*

### SUMMARY

This Rule establishes an Originator/Third-Party Service Provider obligation to provide consumer Receivers with certain disclosures when providing those consumers with cards used to initiate ACH Point of Sale (POS) Entries.

### KEY COMPONENTS OF RULE AMENDMENT

This Rule requires Originators or Third-Party Service Providers that issue ACH cards (or their virtual, non-card equivalent, collectively referred to as “ACH Cards”) to make the following disclosures in written or electronic, retainable form to a consumer prior to activation:

- The ACH Card is not issued by the consumer’s Depository Financial Institution.
- POS Entries made with the ACH Card that exceed the balance in the consumer’s financial institution account may result in overdrafts and associated fees, regardless of whether the consumer has opted to allow overdrafts with respect to debit cards issued by the Depository Financial Institution that holds the consumer’s account.
- Benefits and protections for transactions made using the ACH Card may vary from those available through debit cards issued by the consumer’s Depository Financial Institution.

### *Sample Disclosure Language*

The following is sample language for Originators or Third-Party Service Providers to consider in designing an ACH Card disclosure for purposes of compliance with the *NACHA Operating Rules*. NACHA makes no representation or warranty as to the effect of the language for any other purpose, or as to the relationship of this language to any other language in any institution’s agreements or disclosures. Affected parties should consult with their own legal counsel.

Your [ACH Card product name] Card is issued by [Name of Issuing Entity]. It is not issued by the financial institution (your “Bank”) that maintains the deposit account that you have linked to your [ACH Card product name] Card. The terms, benefits, and protections associated with your [ACH Card product name] Card may vary from those that apply to a debit card issued by your Bank. For example, if you use your [ACH Card product name] Card to make a purchase that exceeds the balance in the deposit account that you linked to the [ACH Card product name] Card, that account may become overdrawn even if you chose not to allow overdrafts with respect to a debit card issued by your Bank, and you may incur associated overdraft fees. Similarly, the liability limits applicable to your [ACH Card product name] Card may be different from those applicable to a debit card issued by your Bank.

### IMPACT TO PARTICIPANTS

*Originators/Third-Party Service Providers:* This change requires Originators and Third-Party Service Providers that issue ACH cards to provide all consumer Receivers with information regarding the card issuer, overdraft charges and fees, and benefits and protections related to card use. For new cards issued on or after March 18, 2016, card issuers must provide disclosures to consumers prior to activating the cards.



To minimize the compliance burden of the Rule and associated costs, Originators and third-parties are allowed 12 months from the March 18, 2016 implementation date to provide new disclosures to existing cardholders. This modification will allow Originators and Third-Parties to distribute the new disclosure as part of an annual update.

*RDFIs:* This change is expected to reduce RDFI customer confusion with respect to the difference between an ACH card issued by an entity other than the depository financial institution and a debit card issued by the customer’s own financial institution.

## TECHNICAL SUMMARY

Below is a summary of the impact of the Disclosure Requirements for POS Entries amendment on the *NACHA Operating Rules*. Sections of the *Rules* that are affected by this amendment are also included and reflect rule language as it will read upon implementation in highlighted, italicized text.

- *Article Two, Subsection 2.5.11.2 (Disclosures for ACH Cards Used to Initiate POS Entries)* – Adds a new subsection to the specific provisions for POS Entries to require Originators and Third-Party Service Providers that issue ACH cards to provide disclosures related to overdraft charges, benefits, and protections related to the use of such cards.
- *Article Eight (Definition of Terms Used in These Rules), Section 8.2 (“ACH Card”)* – establishes a new defined term, “ACH Card,” for a card or other means of access to a Consumer Account held by a Depository Financial Institution that is issued by an entity other than the Depository Financial Institution, and can be used at the point of sale to initiate POS Entries.

**Implementation Date: March 18, 2016**

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*As approved September 4, 2015, effective March 18, 2016, the Rules will be amended as follows for changes related to Disclosure Requirements for POS Entries:*

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### ARTICLE TWO

## Rights and Responsibilities of ODFIs, Their Originators, and Third-Party Senders

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### **SUBSECTION 2.5.11 Specific Provisions for POS Entries**

#### *SUBSECTION 2.5.11.2 Disclosures for ACH Cards Used to Initiate POS Entries (new subsection)*

*Originators or Third-Party Service Providers that issue ACH Cards or other means of access used to initiate POS Entries must make the following disclosures in written or electronic, retainable form to a consumer prior to activation.*

*a) The ACH Card is not issued by the consumer’s Depository Financial Institution.*

*b) POS Entries made with the ACH Card that exceed the balance in the consumer’s linked financial institution account may result in overdrafts and associated fees, regardless of whether the consumer has opted to allow overdrafts with respect to debit cards issued by the Depository Financial Institution that holds the consumer’s account.*

*c) Benefits and protections for transactions made using the ACH Card may vary from those available through debit cards issued by the consumer's Depository Financial Institution.*

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ARTICLE EIGHT

Definitions of Terms Used in These Rules

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**SECTION 8.2 "ACH Card" (new subsection)**

*A card or other means of access to a Consumer Account held by a Depository Financial Institution that is issued by an entity other than the Depository Financial Institution or a party that has contracted directly with the Depository Financial Institution to issue such cards or other means of access, and can be used at the point of sale to initiate POS Entries.*

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## Minor Rules Topics

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### SUMMARY

These rule amendments change five areas of the *NACHA Operating Rules (Rules)* to address minor topics. Minor changes to the Rules have little-to-no impact on ACH participants and no significant economic impact. Specifically, the changes are related to:

1. RDFI Obligation to Recredit Receiver for Improperly Reinitiated Entries;
2. ODFI Statement Requirements for CIE and WEB Credits;
3. Commercially Reasonable Encryption Standards;
4. Definition of Zero-Dollar Entry; and
5. Permissible Criteria for ODFI Requests for Return.

### KEY COMPONENTS OF RULE AMENDMENTS

#### **1. *RDFI Obligation to Recredit Receiver for Improperly Reinitiated Entries* (effective September 18, 2015)**

This Rule revises Article Three, Section 3.11 (RDFI Obligation to Recredit Receiver) to state that an RDFI's obligation to recredit a consumer Receiver includes the circumstance of an improperly Reinitiated Debit Entry (as defined in Article Three, Subsection 3.12.4 (Improperly Reinitiated Debit Entries)).

In 2014, the rules governing the reinitiation of Entries ("Reinitiation Rule," effective September 18, 2015) were revised to modify the circumstances and technical requirements under which a returned Entry may be reinitiated. Included with those changes were modifications to rule language that permit an RDFI to transmit an Extended Return Entry for any improperly Reinitiated Entry to a Consumer Account, on the condition that the consumer Receiver completes a Written Statement of Unauthorized Debit (WSUD). Although the RDFI is already obligated to recredit the Consumer Receiver upon receipt of any valid WSUD (see Subsection 3.11.1), the Reinitiation Rule did not explicitly list an improperly Reinitiated Entry as one of the circumstances requiring recredit by the RDFI. This Rule aligns the general description of the RDFI's recredit obligation with the specific obligation to recredit a Consumer Receiver in connection with the acceptance of a WSUD for an improperly Reinitiated Entry.

#### **2. *Clarification of ODFI Periodic Statement Requirements for CIE and WEB Credits* (effective January 1, 2016)**

This Rule makes minor, editorial clarifications to the language within Article Two, Subsections 2.5.4.2 (ODFI to Satisfy Periodic Statement Requirement) and 2.5.17.6 (ODFI to Satisfy Periodic Statement Requirement for Credit WEB Entries) to clarify the intent of language governing an ODFI's periodic statement obligations with respect to the origination of CIE and credit WEB Entries by consumers.

Periodic statement requirements typically are an obligation of the RDFI for the receipt of Entries to a consumer account. For CIE and WEB credits, however, the Originator of the ACH credit also is a consumer, thus putting periodic statement requirements on the ODFI as well for these entries. These clarifications do not affect the substance of the ODFI's obligation to identify on the consumer Originator's periodic statement the date, amount, and description of a transaction involving the consumer's account; rather, they simply recognize that the debiting of the consumer's account to provide funds for the CIE or WEB credit could be accomplished by something other than an ACH debit.

### **3. Clarifying the Commercially Reasonable Encryption Standard** (effective January 1, 2016)

The *Rules* require ACH participants to utilize a commercially reasonable standard of encryption technology when transmitting any banking information related to an Entry via an Unsecured Electronic Network. Currently, the *Rules* establish a minimum for this commercially reasonable encryption standard at the 128-bit RC4 encryption technology level. A task force of NACHA's former Internet Council, comprised of technology expert members, recommended that the specific reference to 128-bit RC4 encryption be removed, on the grounds that it is now out of date as a commercially reasonable standard.

This Rule removes the existing reference to 128-bit encryption technology as the minimum acceptable commercially reasonable standard, but retains the general reference to using a commercially reasonable level of encryption. The Rule also clarifies that a commercially reasonable level of security must comply with current, applicable regulatory guidelines, which already impose more rigorous encryption obligations. This change simply aligns the *Rules* to reflect industry practice.

Information on current encryption standards for financial transactions can be found in the FFIEC IT Booklet on Information Security at: <http://ithandbook.ffiec.gov/it-booklets/information-security/security-controls-implementation/encryption.aspx>. Additional industry resources include the NIST standards on encryption (SP 800-52), the NIST Guidelines for Securing Wireless Local Area Networks (WLANs) (SP 800-153), and the NIST Cybersecurity Framework. These publications, and other helpful resources, can be found at <http://csrc.nist.gov/publications/PubsSPs.html#SP>. ACH participants should also seek out any other guidance referred to or provided by their regulators when establishing encryption standards.

### **4. Definition of Zero-Dollar Entry** (effective January 1, 2016)

This Rule reintroduces the definition of a Zero-Dollar Entry within Article Eight (Definitions of Terms Used in These Rules) to correspond to unique technical references in the Appendices of the *Rules*. Zero Dollar Entries are unique in that, although their dollar amount is zero, they bear remittance data that must be provided to the Receiver in an identical manner as “live” entries that transfer funds. The definition was removed in 2010 when the definition of a “Non-Monetary Entry” was introduced into the *Rules*.

### **5. Expansion of Permissible Criteria for ODFI Requests for Return** (effective January 1, 2016)

In addition to being able to request the return of an Erroneous Entry, as currently permitted by the *Rules*, this Rule permits an ODFI to request that an RDFI return any Entry that the ODFI claims was originated without the authorization of the Originator. This Rule also expands the description of Return Reason Code R06 (Returned per ODFI's Request) to include Entries returned by the RDFI for this reason. This newly permissible circumstance reflects actual current industry practice with regard to the recovery of funds related to unauthorized credit origination.

Use of the ODFI Request for Return process is always optional on the part of both ODFIs and RDFIs. An RDFI will continue to be able to make its own business decision about whether to agree to return an Entry that the ODFI claims was originated without the authorization of the Originator. An RDFI responding to a request for the return of such an Entry will be indemnified under the *Rules* against loss or liability by the ODFI.

## **IMPACT TO PARTICIPANTS**

All ACH Network participants generally benefit from *Rules* language that is consistent and clear, and that takes established industry practices into consideration. Each of the changes in this Rule serves to improve overall ACH processing efficiency by enhancing or clarifying certain areas within the *Rules*. NACHA does not expect ACH Network participants to incur any substantial costs associated with the implementation of the approved changes.

## TECHNICAL SUMMARY

Below is a summary of the impact of the above Minor Rules Topics on the *NACHA Operating Rules*. Sections of the *Rules* that are affected by this amendment are also included and reflect rule language as it will read upon implementation in highlighted, italicized text.

1. ***RDFI Obligation to Recredit Receiver for Improperly Reinitiated Entries*** (effective September 18, 2015)
  - *Article Three, Subsection 3.11 (RDFI Obligation to Recredit Receiver* – Adds a recredit obligation for Improperly Reinitiated Entries.

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### ARTICLE THREE

## Rights and Responsibilities of RDFIs and Their Receivers

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### SECTION 3.11 RDFI Obligation to Recredit Receiver

An RDFI must recredit the accountholder to the extent provided in this Section 3.11 for (a) a debit Entry to a Consumer Account and any IAT debit Entry to a Non-Consumer Account that was, in whole or in part, not properly authorized under these Rules, as required by these Rules, applicable Legal Requirements, or agreement between the RDFI and the account holder; (b) an Incomplete Transaction to a Consumer Account or an Incomplete Transaction involving an ARC, BOC, or POP Entry to any Receiver's account; and (c) an improperly originated ARC, BOC, POP, or RCK Entry to any Receiver's account. This recredit requirement does not apply if the accountholder is a Receiver that has waived any right to recredit in accordance with the requirements of Subsection 3.11.4 (Receiver's Waiver of RDFI's Recredit Obligation).

*An RDFI must recredit the accountholder to the extent provided in this Section 3.11 for (a) a debit Entry to a Consumer Account and any IAT debit Entry to a Non-Consumer Account that was, in whole or in part, not properly authorized under these Rules, as required by these Rules, applicable Legal Requirements, or agreement between the RDFI and the account holder; (b) an Incomplete Transaction to a Consumer Account or an Incomplete Transaction involving an ARC, BOC, or POP Entry to any Receiver's account; (c) an improperly originated ARC, BOC, POP, or RCK Entry to any Receiver's account; and (d) an improperly Reinitiated Entry to a Consumer Account (as provided within Subsection 3.12.4 (Improperly Reinitiated Debit Entries)). This recredit requirement does not apply if the accountholder is a Receiver that has waived any right to recredit in accordance with the requirements of Subsection 3.11.4 (Receiver's Waiver of RDFI's Recredit Obligation).*

2. ***Clarification of ODFI Periodic Statement Requirements for CIE and WEB Credits*** (effective January 1, 2016)

- *Article Two, Subsection 2.5.4.2 (ODFI to Satisfy Periodic Statement Requirement)* – updates subsection title to refer to CIE; modifies text to specifically state ODFI's periodic statement requirement when debiting a consumer account to originate a CIE Entry.
- *Article Two, Subsection 2.5.17.6 (ODFI to Satisfy Periodic Statement Requirement for Credit WEB Entries)* – modifies to specifically state ODFI's periodic statement requirement when debiting a consumer account to originate a WEB credit Entry.

## ARTICLE TWO

## Rights and Responsibilities of ODFIs, Their Originators, and Third-Party Senders

*SUBSECTION 2.5.4.2 ODFI to Satisfy Periodic Statement Requirement**SUBSECTION 2.5.4.2 ODFI to Satisfy Periodic Statement Requirement for CIE Entries*

An ODFI must provide or make available the following information with respect to the Consumer Account of the Originator of a CIE Entry:

*An ODFI must provide or make available to the Originator the following information with respect to the Consumer Account of the Originator of a CIE Entry:*

- (a) posting date to the Originator's account;
- (a) the date funds were debited from the Consumer's Account for the purpose of funding the CIE Entry;*
- (b) dollar amount of the Entry;
- (b) dollar amount of the funds debited;*
- (c) payee name;
- (d) Entry description;
- (d) a description of the payment;*
- (e) account type;
- (f) account number;
- (g) amount of any charges assessed against the account for services related to the Entry;
- (h) balances in the Originator's account at the beginning and at the close of the statement period; and
- (i) address and telephone number to be used for inquiries or notices of errors preceded by "Direct Inquiries To" or similar language.

References to data elements contained in an Entry are further defined in Appendix Three (ACH Record Format Specifications). The requirements of this subsection apply regardless of whether Regulation E imposes similar requirements on the ODFI.

*SUBSECTION 2.5.17.6 ODFI to Satisfy Periodic Statement Requirement for Credit WEB Entries*

An ODFI must provide or make available the following information with respect to the Consumer Account of the Originator of a credit WEB Entry:

*An ODFI must provide or make available to the Originator the following information with respect to the Consumer Account of the Originator of a credit WEB Entry:*

(a) posting date to the Originator's account;

*(a) the date funds were debited from the Consumer's Account for the purpose of funding the credit WEB Entry;*

(b) dollar amount of the Entry;

*(b) dollar amount of the funds debited;*

(c) payee name;

(d) Entry description;

*(d) a description of the payment;*

(e) account type;

(f) account number;

(g) amount of any charges assessed against the account for services related to the Entry;

(h) balances in the Originator's account at the beginning and at the close of the statement period; and

(i) address and telephone number to be used for inquiries or notices of errors preceded by "Direct Inquiries To" or similar language.

References to data elements contained in an Entry are further defined in Appendix Three (ACH Record Format Specifications). The requirements of this subsection apply regardless of whether Regulation E imposes similar requirements on the ODFI.

### **3. Clarifying the Commercially Reasonable Encryption Standard** *(effective January 1, 2016)*

- *Article One, Section 1.7 (Secure Transmission of ACH Information Via Unsecured Electronic Networks)* – Clarifies commercially reasonable encryption standards must comply with regulatory guidelines; removes reference to outdated technology standard.
- *Article Three, Subsection 3.1.5.3 (RDFI Must Provide Payment-Related Information to Receivers of CCD, CTX, CIE, and IAT Entries to Non-Consumer Accounts)* – Clarifies that the electronic provision of remittance information for Healthcare EFTs must meet commercially reasonable encryption standards that comply with regulatory guidelines; removes reference to outdated technology standard.

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## ARTICLE ONE

### General Rules

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#### **SECTION 1.7 Secure Transmission of ACH Information via Unsecured Electronic Networks**

Banking information related to an Entry that is Transmitted via an Unsecured Electronic Network must, at all times from the point of data entry and through the Transmission of such banking information, be either encrypted or Transmitted via a secure session, in either case using a commercially reasonable technology

that provides a level of security that, at a minimum, is equivalent to 128-bit RC4 encryption technology. Banking information includes any Entry, routing number, account number, PIN or other identification symbol. This Section applies to Transmissions between:

*Banking information related to an Entry that is Transmitted via an Unsecured Electronic Network must, at all times from the point of data entry and through the Transmission of such banking information, be either encrypted or Transmitted via a secure session, in either case using a technology that provides a commercially reasonable level of security that complies with applicable regulatory requirements. Banking information includes any Entry, routing number, account number, PIN or other identification symbol. This Section applies to Transmissions between:*

- (a) a Receiver and an Originator;
- (b) an Originator and an ODFI;
- (c) an ODFI and an ACH Operator;
- (d) an ACH Operator and an RDFI; and
- (e) an Originator, ODFI, RDFI, or ACH Operator and a Third-Party Service Provider.

Transmissions of banking information over an Unsecured Electronic Network by means of voice or keypad inputs from a wireline or wireless telephone to a live operator or voice response unit are not subject to this section.

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## ARTICLE THREE

### Rights and Responsibilities of RDFIs and Their Receivers

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#### *SUBSECTION 3.1.5.3 RDFI Must Provide Payment-Related Information to Receivers of CCD, CTX, CIE, and IAT Entries to Non-Consumer Accounts*

Upon the request of a Receiver, an RDFI must provide to the Receiver all information contained within the Payment Related Information field of an Addenda Record(s) Transmitted with a CCD Entry that is not a Health Care EFT Transaction; a CTX Entry; or a CIE; or IAT Entry to a Non-Consumer Account. The RDFI must provide this information by the opening of business on the RDFI's second Banking Day following the Settlement Date of the Entry.

For a Health Care EFT Transaction to a Non-Consumer Account, an RDFI must, either automatically or upon the request of a Receiver that is a Health Care Provider, provide or make available all information contained within the Payment Related Information field of the Addenda Record Transmitted with the Health Care EFT Transaction. The RDFI must provide or make available the Payment Related Information by the opening of business on the RDFI's second Banking Day following the Settlement Date of the Entry. The RDFI must offer or make available to the Health Care Provider an option to receive or access the Payment Related Information via a secure, electronic means that provides a level of security that, at a minimum, is equivalent to 128-bit RC4 encryption technology.

*For a Health Care EFT Transaction to a Non-Consumer Account, an RDFI must, either automatically or upon the request of a Receiver that is a Health Care Provider, provide or make available all information contained within the Payment Related Information field of the Addenda Record Transmitted with the Health Care EFT Transaction. The RDFI must provide or make available the Payment Related Information*



*by the opening of business on the RDFI's second Banking Day following the Settlement Date of the Entry. The RDFI must offer or make available to the Health Care Provider an option to receive or access the Payment Related Information via a secure, electronic means that provides a commercially reasonable level of security that complies with applicable regulatory requirements.*

#### **4. Definition of Zero-Dollar Entry** (effective January 1, 2016)

- *Article Eight (Definition of Terms Used in These Rules)* – Adds a new section to define the term Zero-Dollar Entry.

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## ARTICLE EIGHT

### Definitions of Terms Used in These Rules

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#### **SECTION 8.116 – “Zero-Dollar Entry” (new section)**

*a Non-Monetary Entry transmitted by an Originator to the account of a Receiver to convey payment related remittance data to the Receiver. A Zero-Dollar Entry must (1) use an appropriate Zero-Dollar Entry Transaction Code; and (2) be transmitted as (i) a CCD or CTX Entry to a Non-Consumer Account of the Receiver, or (ii) an IAT Entry to the account of any Receiver.*

#### **5. Expansion of Permissible Criteria for ODFI Requests for Return** (effective January 1, 2016)

- *Article Two, Subsection 2.12.2 – (ODFI Request for Return)* – Recognizes use of ODFI Request to Return process to recover credit entries transmitted without the Originator's authorization.
- *Article Two, Subsection 2.12.3 – (Indemnification by ODFI for Requested Returns)* – Recognizes use of ODFI Request to Return process to recover credit entries transmitted without the Originator's authorization.
- *Appendix Four, Part 4.2 – (Table of Return Reason Codes)* – Expands the description of R06 – (Returned Per ODFI's Request) to include ACH Credit Entries originated without the Originator's authorization.

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## ARTICLE TWO

### Rights and Responsibilities of ODFIs, Their Originators, and Third-Party Senders

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#### **SUBSECTION 2.12.2 ODFI Request for Return**

An ODFI may, orally or in writing, request an RDFI to return an Erroneous Entry initiated by the ODFI. The RDFI may, but is not obligated to, comply with this request. For purposes of this subsection, an Erroneous Entry has the same meaning as in Section 2.9 (Reversing Entries).

*An ODFI may, orally or in writing, request an RDFI to return an Erroneous Entry, or a credit Entry originated without the authorization of the Originator, that was initiated by the ODFI. The RDFI may, but is not obligated to, comply with this request. For purposes of this subsection, an Erroneous Entry has the same meaning as in Section 2.9 (Reversing Entries).*

**SUBSECTION 2.12.3 Indemnification by ODFI for Requested Returns**

An ODFI requesting that an RDFI return an Erroneous Entry indemnifies the RDFI from and against any and all claims, demands, losses, liabilities, and expenses, including attorneys' fees and costs, resulting directly or indirectly from compliance by the RDFI with such request.

*An ODFI requesting that an RDFI return an Erroneous Entry, or a credit Entry originated without the authorization of the Originator, indemnifies the RDFI from and against any and all claims, demands, losses, liabilities and expenses, including attorneys' fees and costs, resulting directly or indirectly from compliance by the RDFI with such request.*

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APPENDIX FOUR

Return Entries

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Please see the following page for changes.

**PART 4.2 Table of Return Reason Codes**

CODE	TITLE	DESCRIPTION	INITIATED BY	RETURN TYPE	ACCOUNT TYPE	TIME FRAME	WRITTEN STATEMENT REQUIRED	CROSS REFERENCE	NOTES
R02	Account Closed	A previously active account has been closed by action of the customer or the RDFI.	RDFI	Return	Consumer or Non-Consumer	* 2 Banking Days	No	Article Three, Section 3.8 - RDFI's Right to Transmit Return Entries.	
R03	No Account/Unable to Locate Account	The account number structure is valid and it passes the check digit validation, but the account number does not correspond to the individual identified in the Entry, or the account number designated is not an existing account.	RDFI	Return	Consumer or Non-Consumer	* 2 Banking Days	No	Article Three, Section 3.8 - RDFI's Right to Transmit Return Entries.	This Return Reason Code may not be used to return ARC, BOC, or POP Entries or Return Fee Entries related to underlying ARC, BOC, or POP Entries solely because they do not contain the Receiver's name in the Individual Name/Receiving Company Name Field.
R04	Invalid Account Number Structure	The account number structure is not valid.	RDFI	Return	Consumer or Non-Consumer	* 2 Banking Days	No	Article Three, Section 3.8 - RDFI's Right to Transmit Return Entries.	The Entry may fail the check digit validation or may contain an incorrect number of digits.
R05	Unauthorized Debit to Consumer Account Using Corporate SEC Code	CCD or CTX debit Entry was Transmitted to a Consumer Account of the Receiver and was not authorized by the Receiver.	RDFI	Extended Return	Consumer	** 60 Calendar Days	Yes	Article Three, Section 3.13 - RDFI Right to Transmit Extended Return Entries. Article Three, Subsection 3.12.1 - Unauthorized Debit Entry. Article Three, Subsection 3.4.1.1 -Rule Exception for CCD and CTX Entries to Consumer Accounts.	
R06	Returned per ODFI's Request	The ODFI has requested that the RDFI return an Erroneous Entry. <i>The ODFI has requested that the RDFI return an Erroneous Entry, or a credit Entry originated without the authorization of the Originator.</i>	RDFI	Return	Consumer or Non-Consumer	Not defined, determined by ODFI and RDFI.	No	Article Two, Subsection 2.12.2 - ODFI Request for Return.	If the RDFI agrees to return the Entry, the ODFI must indemnify the RDFI according to Article Two, Subsection 2.12.3.

\* Each Return Entry must be received by the RDFI's ACH Operator by its deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the second Banking Day following the Settlement Date of the original Entry.  
 \*\* Each Return Entry must be received by the RDFI's ACH Operator by its deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the Banking Day following the sixtieth calendar day following the Settlement Date of the original Entry.

## Network Administration Fees

The *NACHA Operating Rules* require each Participating Depository Financial Institution that transmits or receives ACH entries (commercial and Federal Government) to pay an annual fee and a per-entry fee to cover costs associated with the administration of the ACH Network. These Network Administration Fees apply to all entries subject to the requirements of the *NACHA Operating Rules*, whether such entries are transmitted via an ACH Operator, sent directly from one Participating DFI to another, or sent through another entity. The Network Administration Fees have been established by the NACHA Board of Directors and are reviewed and modified, as appropriate, on an annual basis.

### NETWORK ADMINISTRATION FEES AND DATA REPORTING REQUIREMENTS

The accompanying chart provides information on the amount of the annual and per-entry fees for the 2016 calendar year. The ACH Operators collect the annual fees and per-entry fees on behalf of NACHA for entries sent from one Participating DFI to another Participating DFI through the ACH Operators.

Financial institutions are required to report and NACHA collects directly the per-entry fees for ACH entries not sent through the ACH Operators, but that are sent as part of direct send or “on-we” arrangements. A direct send or “on-we” arrangement is one in which a Participating DFI sends a payment file that uses the NACHA formats and/or is covered by the *NACHA Operating Rules*, where that file is not processed by an ACH Operator, but instead is exchanged with another non-affiliated Participating DFI, either directly or through another entity. This definition applies regardless of how interbank settlement is accomplished.

Participating DFIs with direct send or “on-we” volume exceeding 5 million entries annually are obligated to file the requisite reporting with NACHA quarterly. Participating DFIs with direct send volume below this threshold are obligated to file with NACHA annually. These financial institutions are required to submit transaction volume data and any associated fees directly to NACHA using Form N-7 (2016). Any Participating DFI whose direct send or “on we” volume of entries originated or received exceeds 5 million for any quarter ending March 31, June 30, September 30, or December 31, 2016 must submit the above data and fees on a quarterly basis thereafter. The submission deadlines for quarterly filers are April 30, July 31, and October 31, 2016, and January 31, 2017. Participating DFIs that exceed the threshold during the calendar year must aggregate all prior quarters’ fees in their current quarter’s Form N-7 (2016) payment. Participating DFIs whose direct send volume is below this threshold must submit the above data and fees for calendar year 2016 by January 31, 2017.

#### National Automated Clearing House Association

#### 2016 Schedule of Fees

#### ACH Network Administration Fees

This Schedule of Fees has been established by the NACHA Board of Directors for calendar year 2016 in accordance with the requirements of the *NACHA Operating Rules*, Article One (General Rules), Section 1.12 (Network Administration Fees).

- Per-Entry Fee (January 1–December 31) . . . . . \$ .000162
- Annual Fee . . . . . \$ 216.00

## NETWORK ADMINISTRATION FEES — FILING REQUIREMENTS FOR PARTICIPATING DEPOSITORY FINANCIAL INSTITUTIONS

Form N-7 (2016) is provided for the purposes of reporting and submitting payment of Network Administration Fees, as required by the *NACHA Operating Rules*, on ACH entries that are transmitted or received under a direct send or “on-we” arrangement. These reporting requirements are not applicable to Participating DFIs whose entries are processed exclusively through an ACH Operator, where all applicable transaction volume will be reported to and fees collected by the ACH Operators on behalf of NACHA.

### **Who Must File**

Any Participating DFI that transmits or receives entries that use the NACHA formats and/or are covered by the *NACHA Operating Rules*, where those entries are not processed by an ACH Operator, but instead are exchanged with another non-affiliated Participating DFI, either directly or through another entity, during the 2016 calendar year.

### **Who Does Not Have to File**

Any Participating DFI that transmits and receives 100% of its ACH entries during 2016 through an ACH Operator or with affiliated Participating DFIs does not need to file Form N-7 (2016). All applicable Network Administration Fees are billed and collected on NACHA's behalf by the ACH Operator, and appear on your customer statement as “NACHA Admin Network Fee/Entry” and “NACHA Admin Network Fee/Month.”

### **When and Where to File**

Any Participating DFI whose direct send or “on-we” volume of entries originated and received exceeds 5 million for any quarter ending March 31, June 30, September 30, or December 31, 2016 must file on a quarterly basis thereafter. The submission deadlines for quarterly filers are April 30, July 31, and October 31, 2016, and January 31, 2017. Participating DFIs that exceed this threshold during the calendar year must aggregate all prior quarters' fees in the current quarter's payment. Participating DFIs whose direct send or “on-we” volume is below the threshold must submit their calendar year 2016 data and fees by January 31, 2017.

Completed forms and payment must be received by NACHA no later than the above deadlines and should be mailed to: NACHA – The Electronic Payments Association, Attn: Finance Department, 2550 Wasser Terrace, Suite 400, Herndon, VA 20171. Payment may be made by ACH credit or check (made payable to NACHA).

To pay by ACH credit, credit must be initiated by the organization filing Form N-7. UPIC Routing & Transit # 021052053, Acct # 59058945. Use CCD format for single filing. Complete in Batch Header (1) Company Name (2) Company Entry Description (specify Form N-7 (2016)).

### **Form Instructions**

Line 1. Enter legal name of Participating DFI.

Line 2. Enter mailing address of Participating DFI.

Line 3a. List the number of ACH entries transmitted and received by the Participating DFI that were not processed by an ACH Operator but were exchanged with another non-affiliated Participating DFI, either directly or through another entity, for the applicable period. Entries should be sorted by routing number of the non-affiliated DFI and include debits, credits and entries of non-value. If there are more routing numbers than spaces available, attach another sheet. Total columns and add together to calculate the grand total.

Line 3b. Enter the grand total from line 3a.

Line 4. Represents the 2016 per entry fee of \$.000162

Line 5. Multiply line 3b by line 4 [example: (line 3b) 100,000 x (line 4) \$.000162 = (line 5) \$16.20]

Line 6. Payment due is equal to the amount on line 5. Indicate payment method. If by check, make check payable to NACHA. If payment by ACH Credit, indicate date of credit to be initiated by the business. See account information above for ACH Credit. If amount on line 5 is less than one dollar, submit the completed form only; no payment is due.

***Still Need Additional Information?***

Downloadable Forms and Instructions are available at <https://www.nacha.org/ach-network/administration-fees> or contact Member Services, 800-487-9180 or 703-561-1100 or email: [info@nacha.org](mailto:info@nacha.org).

## FORM N-7 (2016)

**Select Filing Period and Deadline (check all that apply):**

	<i>Period</i>	<i>Filing Deadline</i>
<b>For annual filers:</b>	<input type="checkbox"/> December 31, 2016	January 31, 2017
<b>For quarterly filers:</b>	<input type="checkbox"/> March 31, 2016	April 30, 2016
	<input type="checkbox"/> June 30, 2016	July 31, 2016
	<input type="checkbox"/> September 30, 2016	October 31, 2016
	<input type="checkbox"/> December 31, 2016	January 31, 2017

**1. Financial Institution Name** \_\_\_\_\_

**2. Business Address** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**3. Direct Send Information**

a. 2016 direct send ACH entries by routing number of non-affiliated Participating DFI *(see instructions)*

### DIRECT SEND DETAIL

ROUTING NUMBER	ENTRIES RECEIVED	ENTRIES ORIGINATED
<b>TOTALS</b>		
<b>GRAND TOTAL (TOTAL RECEIVED + TOTAL ORIGINATED)</b>		

**FORM N-7 (2016)**  
*(continued)*

- b. 2016 total direct send ACH entries *(see instructions)* \_\_\_\_\_
4. 2016 per entry fee x \$.000162
5. Uncollected 2016 Network Administrative Fees (line 3b x line 4) \$ \_\_\_\_\_
6. Payment Due: (Amount on line 5) Check enclosed \_\_\_\_\_ or Date of ACH credit \_\_\_\_\_  
*(If less than \$1.00, no payment due, submit form only)*

I declare that I have examined this form and to the best of my knowledge and belief, it is true, correct and complete.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

Title \_\_\_\_\_

Financial Institution Name \_\_\_\_\_

Email Address \_\_\_\_\_ Phone Number \_\_\_\_\_

*Mail completed form and payment to:*

NACHA – The Electronic Payments Association  
Attn: Finance Department  
2550 Wasser Terrace, Suite 400  
Herndon, VA 20171