

---

# How to Use This Manual

*ACH Training Manual* is designed to acquaint your operations staff with the various issues that affect automated clearing house (ACH) transaction processing. The expanded use of the ACH network has prompted many financial managers to have an increased focus on ACH processing and risk management. It is imperative for your staff to have a well-developed and well-documented training program in place to help control risk and ensure that you are in compliance with the rules and regulations governing ACH transactions.

This manual can be used as a self-paced training program or be used in a classroom setting. It is divided into seven courses: ACH Fundamentals, ACH Files, ODFI Operations, RDFI Operations, Other Participants, Risk Management, and Regulatory Compliance. Each course covers a different aspect of ACH processing, and the information in each course is broken down into manageable lessons with detailed explanations. Numerous facts, tips, and examples supplement the learning process.

Your institution will want to take measures to avoid potential ACH Rules violations situations, so this training program also covers the rules and regulations that affect ACH transaction processing. Throughout the lessons, ACH Rules references (“Rules Ref”) and regulation references (“Reg Ref”) are highlighted in the margin. Employees may refer to these sections of the ACH Rules and federal regulations to learn more about specific topics. For more on ACH requirements, see page xi.

At the end of each lesson, review questions offer your employees the opportunity to test their knowledge before moving on to the next topic. A comprehensive review at the end of the courses provides an overall evaluation of employees’ mastery of ACH processing and compliance.

When used for a self-paced study, employees can turn to the answer key in the Manager’s Handbook at the back of the manual to check their answers. Conversely, the Manager’s Handbook may be easily removed from the manual if a manager does not want employees accessing the answer key during a classroom training session. The Manager’s Handbook also contains recordkeeping documents to help managers track employees’ scores and progress.

## **Sheshunoff Certified ACH Specialist**

The ACH Training Manual may also be used to gain the designation of Sheshunoff Certified ACH Specialist (SCAS). After completing all courses and the comprehensive review, the student should e-mail [certification@sheshunoff.com](mailto:certification@sheshunoff.com) to request the certification exam. Upon successful completion, the student will receive a certificate attesting to SCAS designation.



## Course Descriptions

### Course I: ACH Fundamentals

This first course introduces you to the players and processes in the ACH network. Several participants are required to complete the ACH payment cycle. Additionally, the operating rules safeguard transactions every step of the process. It is critical that ACH processing staff understand the ACH network participants and how to navigate through the ACH operating rules.

Lesson 1: ACH Participants

Lesson 2: ACH Rules

### Course II: ACH Files

The ACH file itself is the primary aspect of any ACH transaction. This course covers the basics of ACH transactions and transaction codes. It also goes a step further to discuss advanced information, such as file formats and addenda records. Your ACH processing staff must understand how ACH files are organized and formatted in order to process transactions at your financial institution.

Lesson 1: ACH Transactions

Lesson 2: ACH Transaction Codes

Lesson 3: ACH File Formats

Lesson 4: Addenda Records

### Course III: ODFI Operations

An originating depository financial institution (ODFI) is identified on every file of ACH transactions sent to an ACH operator. Even if your institution uses a third-party service provider to originate the file of ACH transactions, you will be identified on the file as the ODFI. This course outlines what you must do before you can initiate a debit or credit, either on your institution's own behalf or on behalf of an originator, to a receiver's account at a receiving financial institution.

Lesson 1: Origination of ACH Entries

Lesson 2: ODFI Functions

Lesson 3: Special Handling by the ODFI

### Course IV: RDFI Operations

Participating in the ACH network as a receiving depository financial institution (RDFI) is optional. Your financial institution can choose to receive only government ACH transactions or it can receive government and commercial ACH transactions. Most financial institutions receive both government

and commercial ACH transactions. The ACH Rules outline the responsibilities of a RDFI, which are reviewed in this course.

- Lesson 1: Receipt of ACH Entries
- Lesson 2: Returning ACH Entries
- Lesson 3: Extended Return Entries
- Lesson 4: Contested Dishonored Return Entries
- Lesson 5: Notifications of Change
- Lesson 6: Written Statement of Unauthorized Debit

### **Course V: Other Participants**

The ACH process also includes participants other than financial institutions. The ACH operator processes and distributes ACH transactions submitted by the ODFI and the government, and funds between financial institutions. In addition, an originator, an ODFI, or an RDFI may use a third-party service provider during the process of originating or receiving ACH transactions. Third-party service providers generally offer value-added services that the originator, ODFI, or RDFI either cannot or does not wish to perform; however, the institution maintains liability for the transactions of the third-party service provider.

- Lesson 1: ACH Operators
- Lesson 2: Third-Party Service Provider

### **Course VI: Risk Management**

Volume growth, dollar growth, third-party sender relationships, and the increased use of higher risk ACH transactions make it imperative for financial institutions to have well developed and well documented policies and procedures in place to help control risk. Although there is risk associated with processing all types of payments, this course concentrates on managing risk associated with the processing of ACH transactions.

- Lesson 1: ACH Processing Risk
- Lesson 2: Controlling Risk

### **Course VII: Regulatory Compliance**

Due to the special nature of government entries and the importance of protecting public funds, the federal government has preempted either in whole or in part certain provisions of the ACH Rules. This course addresses the regulations and laws affecting funds availability, credit transfers, electronic fund transfers, and economic sanctions that affect ACH transaction processing.

- Lesson 1: Federal Government Participation
- Lesson 2: Regulation CC & Regulation D Compliance
- Lesson 3: Regulation E Compliance
- Lesson 4: Uniform Commercial Code Article 4A
- Lesson 5: OFAC Compliance

## **Course VIII: ACH Rules Compliance Audit**

In order to conduct an annual ACH audit for your financial institution, you need to apply the information that is presented to you throughout the first seven courses and lessons in this manual. This course guides you through what you need to do in order to conduct an effective annual ACH rules compliance audit for your financial institution.

- Lesson 1: General Audit Requirements
- Lesson 2: Receiving Financial Institution Audit Requirements
- Lesson 3: Originating Financial Institution Audit Requirements

## **Comprehensive Review**

When employees complete the courses and feel confident of their knowledge of the material, they can measure their understanding with a comprehensive review.

## **Reference Material**

The Reference Material includes additional information to help your operations staff learn about the ACH network. Employees can turn to this section for clarification on ACH terminology, the language of Operating Circular 4, a complete listing of ACH operators, and other guidance and training resources relating to processing ACH transactions.

- Reference A: Glossary of ACH Terms
- Reference B: Federal Reserve Banks Operating Circular No. 4 — Automated Clearing House Items (Effective January 1, 2011)
- Reference C: ACH Operators
- Reference D: Resources

## **Manager's Handbook**

Answers to the lesson review questions are included in this section at the back of the manual. When used for a self-paced study, employees can refer to the Manager's Handbook to check their answers, or

the section can be removed for classroom training if a manager does not want employees to access the answer key. Recordkeeping documents also help managers track employees' progress.

Manager's Handbook

Assessment Record

Employee Records

Lesson Reviews and Answers

Comprehensive Review and Answers

## Rules and Regulations

In order to avoid potential ACH Rules violations situations, your employees must have clear understanding of the rules and regulations governing the ACH network. Throughout the manual, straightforward facts and tips provide clear guidance for your ACH staff. The following are discussed in the manual:

- **ACH Rules.** The National Automated Clearing House Association (NACHA) publishes the rules that govern the processing of ACH transactions. The first ACH Rules became effective January 1, 1977; an updated version of the rules is published annually. The ACH Rules govern ACH transactions that are exchanged inter-regionally between financial institutions. The regional payment associations may also require adherence to certain rules for financial institutions within their membership that exchange ACH transactions directly with one another.
- **UCC Article 4A.** UCC Article 4A outlines the rights and responsibilities of the parties involved in the origination and receipt of wholesale credit transfers. Article 4A applies to banks, Federal Reserve Banks, savings and loan associations, credit unions, and other entities engaged in the business of banking. Although Article 4A is the legal framework for credit transfers sent through CHIPS, Fedwire, and the ACH network, this manual focuses only on Regulation CC as it applies to the availability of funds for ACH transactions.
- **Regulation CC.** Regulation CC (12 CFR 229) is a federal regulation most of which has been in effect since 1988. It implements the Expedited Funds Availability Act, which covers both the availability of funds and collection of checks. This manual focuses on the applicability of the availability of funds to ACH transactions.
- **Regulation E.** Regulation E (12 CFR 205) implements the Electronic Fund Transfer Act, which establishes the rights, liabilities, and responsibilities of consumers and financial institutions as they relate to electronic fund transfers. Regulation E covers many types of electronic fund transfers, not just ACH transactions; however, the focus of this manual is Regulation E requirements as they apply to consumer ACH transactions.
- **Office of Foreign Assets Control (OFAC).** OFAC, part of the U.S. Treasury Department, administers economic sanctions and embargo programs that require assets and transactions of target countries, target country nationals, and other specifically identified companies and individuals to be frozen. All of the sanctions and programs enforced by OFAC involve declarations of national emergency by the President of the United States. As it is with all payment mechanisms, the ACH network is subject to the requirement to comply with OFAC-enforced sanctions policies.

Throughout the courses, ACH Rules references (“Rules Ref”) and regulation references (“Reg Ref”) direct employees to applicable sections of the ACH Rules and other regulations. Employees can use these references to learn more about specific topics. By utilizing this well-documented training program, you can help reduce risk and stay in compliance with ACH processing requirements.

The *ACH Training Manual* is designed to provide your financial institution with an effective and efficient tool for training staff who are responsible for compliance with rules and regulations and the processing of ACH transactions. Although great care has been taken to be accurate, ACH processing is complicated, and no attempt has been made to be comprehensive. Federal and state law is ever changing, so you should obtain legal advice specific to your circumstances if you have any questions about your institution's rights and obligations under the law. This manual should not be used as a substitute for legal advice.