



Reversals and Enforcement Request for Comment

Proposed Modifications to the Rules **May 20, 2020**

ISSUE #1 – REVERSALS

ARTICLE TWO – RIGHTS AND RESPONSIBILITIES OF ODFIS, THEIR ORIGINATORS, AND THIRD-PARTY SENDERS

Section 2.8 Reversing Files

Subsection 2.8.1 General Rule for Reversing Files-

An Originator or an ODFI may initiate a Reversing File to reverse all Entries of an Erroneous File. **Section 2.9 (Reversing Entries) applies to each Entry within a Reversing File.**

Subsection 2.8.2 Obligation to Initiate Correcting Files Corresponding to Reversing Files

An Originator or ODFI initiating a Reversing File to correct an Erroneous File must concurrently initiate a Correcting File corresponding to the Erroneous File, unless the Erroneous File was a duplicate.

Subsection 2.8.3 Time Limitations on Initiation of Reversing Files

An Originator or the ODFI must Transmit each Reversing File and, when appropriate, a corresponding Correcting File, to the ACH Operator within five Banking Days after the Settlement Date of the Erroneous File. The Originator or ODFI must Transmit the Reversing File and any corresponding Correcting File to the ACH Operator within twenty-four hours of the discovery of the Erroneous File. Any debit Entry within the Reversing File must not contain an Effective Entry Date that is earlier than the Effective Entry Date of the credit Entry to which it relates.

Subsection 2.8.4 Indemnification for Reversing Files

An ODFI that initiates a Reversing File or Correcting File shall indemnify each Participating DFI and ACH Operator from and against any and all claims, demands, losses, liabilities, and expenses, including attorneys' fees and costs, that result directly or indirectly from the debiting or crediting of any Entry in the Reversing File or corresponding Correcting File to the Receiver's account.

Subsection 2.8.5 Rules Exceptions for Reversing File

The following sections and subsections do not apply to a Reversing File complying with the requirements of this Section 2.8:

- (a) Section 2.2 (Prerequisites to Origination); and
- (b) Section 2.4 (General Warranties and Liabilities of Originating Depository Financial Institutions).

Section 2.9 Reversing Entries

Subsection 2.9.1 General Rule for Reversing Entries

An Originator or ODFI may initiate a Reversing Entry to correct an Erroneous Entry previously initiated to a Receiver's account. The Reversing Entry must be Transmitted to the ACH Operator in such time as to be Transmitted or made available to the RDFI within five Banking Days following the Settlement Date of the Erroneous Entry.

A debit Reversing Entry must not contain an Effective Entry Date that is earlier than the Effective Entry Date of the credit Entry to which it relates.

For this Section 2.9 and Subsection 2.12.2 (ODFI Request for Return) only, an Erroneous Entry is defined as an Entry that:

- (a) is a duplicate of an Entry previously initiated by the Originator or ODFI;
- (b) orders payment to or from a Receiver different than the Receiver intended to be credited or debited by the Originator;
- (c) orders payment in a dollar amount different than was intended by the Originator; ~~or~~
- (d) orders payment on a date different than was intended by the Originator; or
- ~~(d)~~ (e) is a credit PPD Entry satisfying each of the following criteria:
 - (i) the credit PPD Entry is for funds related to a Receiver's employment;
 - (ii) the value of the credit PPD Entry is fully included in the amount of a Check delivered to the same Receiver at or prior to the Receiver's separation from employment; and
 - (iii) the credit PPD Entry was Transmitted by the Originator prior to the delivery of the Check to the Receiver.

The Originator must make a reasonable attempt to notify the Receiver of the Reversing Entry and the reason for the Reversing Entry no later than the Settlement Date of the Reversing Entry. For a credit PPD Entry satisfying the criteria of Subsection 2.9.1(d) above, the Originator must notify the Receiver of the Reversing Entry at the time the Check is delivered to the Receiver.

Subsection 2.9.2 Formatting Requirements for Reversing Entries

The Originator or ODFI must submit a Reversing Entry within a batch that includes the word "REVERSAL" in the Company Entry Description field of the Company/Batch Header Record. The description "REVERSAL" must replace the original content of the Company Entry Description field transmitted in the original batch, including content otherwise required by these Rules.

For each Reversing Entry, the contents of the following fields must be identical to the original, erroneous Entry to which the Reversal relates:

- Standard Entry Class Code;
- Company Name/Originator Name;
- Company Identification/Originator Identification; and
- Amount.

The contents of other fields should be modified only as necessary to facilitate proper processing of the Reversing Entry.

Subsection 2.9.2 2.9.3 Indemnification for Reversing Entries

An ODFI that initiates a Reversing Entry shall indemnify each RDFI and ACH Operator from and against any and all claims, demands, losses, liabilities, and expenses, including attorneys' fees and costs, that result directly or indirectly from the debiting or crediting of the Reversing Entry to the Receiver's account.

Subsection 2.9.3 Rules Exceptions for Reversing Entries

The following subsections do not apply to Reversing Entries complying with the requirements of this Section 2.9:

- (a) Section 2.3 (Authorization and Notice of Entries); and
- (b) Subsection 2.4.1.1 (The Entry Is Authorized by the Originator and Receiver).

Subsection 2.9.4 Improper Reversing Entries

Situations that will be treated as improper uses of a Reversing Entry include, but are not limited to:

- (a) The initiation of a Reversing Entry for any reason other than those explicitly defined in Subsection 2.9.1 (General Rule for Reversing Entries);
- (b) The initiation of a Reversing Entry by an ODFI because its Originator or Third-Party Sender customer, or any downstream customer of its Third-Party Sender, failed to provide funding for the original Entry.
- (c) The initiation of a Reversing Entry beyond the time period permitted by Subsection 2.9.1 (General Rule for Reversing Entries).

Improperly-initiated Reversing Entries may be returned by the RDFI.

ARTICLE THREE – RIGHTS AND RESPONSIBILITIES OF RDFIS AND THEIR RECEIVERS

Section 3.12 Written Statement of Unauthorized Debit

An RDFI must accept a Written Statement of Unauthorized Debit meeting the requirements of Subsection 3.12.4 (Form of Written Statement of Unauthorized Debit) from a Receiver with respect to:

- (a) an unauthorized debit Entry to a Consumer Account of a Receiver; an unauthorized IAT debit to any Receiver's account; or a debit Entry to a Consumer Account of a Receiver for which the Receiver

revoked authorization; as defined in Subsection 3.12.1 (Unauthorized Debit Entry/Authorization for Debit Has Been Revoked);

(b) a debit Entry to a Consumer Account of a Receiver, or an ARC, BOC, or POP entry to any Receiver's account, that was not initiated in accordance with the terms of the authorization, as defined in Subsection 3.12.2 (Debit Entry Not in Accordance with the Terms of the Authorization);

(c) an improperly originated RCK Entry, as defined in Subsection 3.12.3 (Improperly Reinitiated RCK Entry).

Subsection 3.12.1 Unauthorized Debit Entry/Authorization for Debit Has Been Revoked

For purposes of this Section 3.12, a debit Entry was not authorized by the Receiver if:

(a) the authorization requirements of Section 2.3 (Authorization and Notice of Entries) were not met;

(b) for ARC and BOC entries, the Receiver's signature on the source document is not authentic, valid, or authorized;

(c) for POP entries, the Receiver's signature on the written authorization is not authentic, valid, or authorized; or

(d) the Originator obtained an authorization meeting the requirements of Section 2.3, but the Receiver revoked the authorization directly with the Originator, in accordance with the terms of the authorization, prior to the initiation of the Entry.

An unauthorized debit Entry does not include a debit Entry initiated with fraudulent intent by the Receiver or any Person acting in concert with the Receiver.

Subsection 3.12.2 Debit Entry Not in Accordance with the Terms of the Authorization

For purposes of this Section 3.12, a debit Entry was not "in accordance with the terms of the authorization" if:

(a) the debit Entry was initiated in an amount different than authorized by the Receiver;

(b) the debit Entry was initiated for settlement earlier than authorized by the Receiver;

(c) the ARC, BOC, or POP Entry was improperly originated, as defined by Subsection 3.12.2.1 (Improper ARC, BOC, and POP Debit Entries);

(d) the Entry is part of an Incomplete Transaction, as defined by Subsection 3.12.2.2 (Incomplete Transaction); ~~or~~

(e) the Entry was improperly reinitiated, as defined by Subsection 3.12.2.3 (Improperly Reinitiated Debit Entries); ~~or~~

(f) the Reversing Entry or Reversing File was improperly initiated, as defined by Subsection 3.12.2.4 (Improperly-Initiated Reversal).

Subsection 3.12.2.1 Improper ARC, BOC, and POP Debit Entries

For purposes of this Section 3.12, a debit Entry was improper if it was:

- (a) an ARC, BOC, or POP Entry to any Receiver's account for which:
 - (i) the source document used for the Entry was not an Eligible Source Document; or
 - (ii) the Check that was used as a source document for the Entry was paid by the RDFI;
- (b) an ARC or BOC Entry to any Receiver's account for which:
 - (i) notice was not provided by the Originator in accordance with Subsection 2.5.1.2 (Authorization of ARC Entries by Notification) or Subsection 2.5.2.2 (Authorization of BOC Entries by Notification), as applicable; or
 - (ii) the amount of the Entry was not accurately obtained from the Eligible Source Document.

Subsection 3.12.2.2 Incomplete Transaction

For purposes of this Section 3.12, a transaction is an Incomplete Transaction if it involves a debit Entry authorized by a consumer Receiver (or any Receiver with respect to an ARC, BOC, or POP Entry) for the purpose of funding a corresponding payment to a third-party payee, but the Originator, Third-Party Sender, or ODFI of the debit Entry failed to make or complete the corresponding payment to the intended third-party payee. An Incomplete Transaction does not include a partial or erroneous payment made to the intended third-party payee.

Subsection 3.12.2.3 Improperly Reinitiated Debit Entries

For purposes of this Section 3.12, a Reinitiated debit Entry is improper if it is part of any of the following Reinitiation practices:

- (a) following the Return of an Entry, initiating an Entry to the same Receiver in an amount greater than the amount of the previously Returned Entry in payment or fulfillment of the same underlying obligation plus an additional fee or charge.
- (b) following the Return of an Entry, initiating one or more Entries to the same Receiver in an amount(s) less than the original Entry in payment or fulfillment of a portion of the same underlying obligation.
- (c) reinitiating any Entry that was Returned as unauthorized.
- (d) initiating any other Entry that the National Association reasonably believes represents an attempted evasion of the limitations on Reinitiation.

Subsection 3.12.2.4 Improperly-Initiated Reversal

For purposes of this Section 3.12, a Reversing Entry or Reversing File is improper if it involves any of the following:

- (a) The initiation of (i) a Reversing Entry for any reason other than those explicitly defined in Subsection 2.9.1 (General Rule for Reversing Entries), or (ii) a Reversing File for any reason other than those explicitly defined in Subsection 2.9.1 (General Rule for Reversing Entries) and Article Eight, Section 8.39 (Erroneous File);**

(b) The initiation of a Reversing Entry or a Reversing File by an ODFI because its Originator or Third-Party Sender customer, or any downstream customer of its Third-Party Sender, failed to provide funding for the original Entry to which the Reversal relates.

(c) The initiation of a Reversing Entry or a Reversing File beyond the time periods permitted by these rules.

Subsection 3.12.3 Improperly Originated RCK Entry

An improperly originated RCK Entry is one for which:

- (a) notice stating the terms of the RCK Entry policy was not provided by the Originator in accordance with Subsection 2.5.13.2 (Authorization of RCK Entries by Notification);
- (b) the item to which the RCK Entry relates is not an eligible item;
- (c) all signatures on the item to which the RCK Entry relates are not authorized or authentic;
- (d) the item to which the RCK Entry relates has been altered;
- (e) the amount of the RCK Entry was not accurately obtained from the item; or
- (f) both the RCK Entry and the item to which the RCK Entry relates have been paid.

Subsection 3.12.4 Form of Written Statement of Unauthorized Debit

The Written Statement of Unauthorized Debit must be signed or similarly authenticated by the Receiver, submitted within the time frames provided by these Rules, and otherwise conform to the requirements of this Section 3.12.

The Written Statement of Unauthorized Debit must include the following minimum information for each Entry for which recredit is requested by the Receiver:

- (a) Receiver's printed name and signature;
- (b) Receiver's account number;
- (c) identity of the party (i.e., the payee) debiting the account, as provided to the Receiver, and, if different, the name of the intended third-party payee;
- (d) date the Entry was posted to the account;
- (e) dollar amount of Entry;
- (f) reason for return;
- (g) signature date;
- (h) Receiver assertion that the Written Statement of Unauthorized Debit is true and correct; and

(i) Receiver assertion that the Receiver is an authorized signer or has corporate authority to act on the account.

The Written Statement of Unauthorized Debit must be dated on or after the Settlement Date of the Entry(ies) for which recredit is requested.

More than one unauthorized debit Entry from a single Originator may be documented on a Written Statement of Unauthorized Debit, provided that all of the information detailed above is provided for each debit Entry for which the Receiver is seeking recredit.

Subsection 3.12.5 Retention of Written Statement of Unauthorized Debit

An RDFI must retain the original or a reproducible copy of each Written Statement of Unauthorized Debit for at least one year from the Settlement Date of the Extended Return Entry(ies) to which the Written Statement of Unauthorized Debit relates.

Subsection 3.12.6 Copy of Written Statement of Unauthorized Debit

An RDFI Transmitting an Extended Return Entry as provided in Section 3.13 (RDFI Right to Transmit Extended Return Entries) must provide to an ODFI a copy of the Written Statement of Unauthorized Debit obtained from the Receiver in accordance with this Section 3.12 within ten Banking Days after receiving a written request from the ODFI, provided that such request is received by the RDFI within one year of the Settlement Date of the Extended Return Entry.

ARTICLE EIGHT – DEFINITIONS OF TERMS USED IN THESE RULES

Section 8.38 “Erroneous Entry”

an Entry that (a) is a duplicate of an Entry previously initiated by the Originator or ODFI; (b) orders payment to or from a Receiver different than the Receiver intended to be credited or debited by the Originator; ~~or~~ (c) orders payment in a dollar amount different than was intended by the Originator; or (d) orders payment on a date different than was intended by the Originator.

Section 8.39 “Erroneous File”

a File that is a duplicate of a previously submitted File, or a File in which each Entry, or each Entry in one or more batches contained in such File, is an Erroneous Entry.

APPENDIX THREE – ACH RECORD FORMAT SPECIFICATIONS

Subpart 3.2.1 Field Inclusion Requirements

Amount: 10 Positions – Entry Detail Record – Mandatory (ACK, ARC, BOC, CCD, CIE, DNE, ENR, IAT, MTE, POP, POS, PPD, RCK, SHR, TEL, TRC, WEB, XCK, refused ACK, Returns, dishonored Returns, contested dishonored Returns, COR, refused COR); 12 Positions – Entry Detail Record – Mandatory (ADV)

The RDFI posts the amount to the appropriate account authorized by the Receiver. A zero Amount is acceptable only with specific Transaction Codes.

ADV: The Automated Accounting Advice contains a 12-position field to record the summary debit or credit amount.

ACK, ATX, COR, DNE, ENR: The value of this field is always zero.

CCD, CTX: For a zero dollar Entry, the value of this field must be zero.

IAT: The value of this field is always reflected in U.S. Dollars.

REVERSALS: The amount of a Reversing Entry must be identical to the amount of the original, Erroneous Entry to which the Reversal relates.

Company Identification: 10 Positions – Company/Batch Header Record – Mandatory (all batches except IAT); 10 Positions – Company/Batch Control Record – Required (all batches)

The Company Identification is an alphameric code used to identify an Originator. The Company Identification Field must be included on all Entries.

The Company ID may begin with an ANSI one-digit Identification Code Designator (ICD), followed by the Identification Number. The ANSI Identification Numbers and related ICDs are:

IRS Employer Identification Number (EIN) “1.”

Data Universal Numbering Systems (DUNS) “3.”

User Assigned Number “9.”

CIE: This field contains the bill payment service provider’s identification number.

IAT: For IAT Entries, the Company Identification Field within the Company/Batch Control Record must contain the information found within positions 41-50 (Originator Identification) of the IAT Company/Batch Header Record.

MTE (Credits): The ODFI is the company/Originator.

WEB (Credits): This field contains the identification code of the Person-to-Person (P2P) service provider identified in the Company Name field (ODFI or Third-Party Service Provider).

REVERSALS: Information contained within the Company Identification field of a Reversing Entry must be identical to the original, Erroneous Entry to which the Reversal relates.

Company Name: 16 Positions – Company/Batch Header Record – Mandatory (all batches except IAT)

This field identifies the source of the Entry and is used for descriptive purposes for the Receiver. Except as otherwise noted below, this field must contain the name by which the Originator is known to and readily recognized by the Receiver of the Entry.

In a transaction in which the Originator of a debit Entry is not the payee of the transaction (the party to which payment is ultimately being directed), the Company Name field of the debit Entry must contain the name by which the payee is known to and readily recognized by the Receiver of the Entry. In a transaction in which the Originator of a credit Entry is not the payor of the transaction (the party from which payment is ultimately being directed), the Company Name field of the credit Entry must contain the name by which the payor is known to and readily recognized by the Receiver of the Entry.

For Return Fee Entries, this field must contain the same name of the Originator as identified in the Company Name field of the underlying Entry. For a Return Fee Entry based on the return of a Check, the Company Name field must contain the name of the payee of the Check.

ADV: The ACH Operator is both the Originator and the ODFI. The ACH Operator originating the ADV File identifies itself by name in this field.

ARC, BOC: This field identifies the payee of the Eligible Source Document or the payee name indicated on the bill or invoice.

CCD: For a Health Care EFT Transaction, this field must contain the name of the Health Plan originating the Entry, or, where an organization is self-insured, the name of the organization's third-party administrator that is recognized by the Health Care Provider and to which the Health Care Provider submits its claims.

CIE: This field contains the bill payment service provider's name.

MTE: This field identifies the owner of the terminal where the transaction was initiated.

POP, POS, SHR: This field identifies the merchant with whom the Receiver initiated the transaction.

RCK: This field identifies the Originator of the RCK Entry, which is the original payee on the face of the Check.

TRC: This field identifies the name of the keeper.

WEB: For a Person-to-Person Entry, this field contains the P2P service provider's name; the P2P service provider is either the ODFI or a Third-Party Service Provider.

XCK: This field must contain the words "CHECK DESTROYED" (left justified).

REVERSALS: The Company Name in a Reversing Entry must be identical to the original, Erroneous Entry to which the Reversal relates.

Originating DFI Identification: 8 Positions – Company/Batch Header Record – Mandatory (all batches except IAT); 8 Positions – Company/Batch Control Record – Mandatory (all batches); 34 Positions – Addenda Record – Mandatory (IAT)

This field contains the routing number of the DFI originating the Entries within the batch.

IAT:

- For Inbound IAT Entries, the Originating DFI Identification Field within the Fourth IAT Addenda Record must contain the National Clearing System Number of the foreign financial institution providing funding for the payment transaction.
- For Outbound IAT Entries, the Originating DFI Identification Field within the Fourth IAT Addenda Record must contain the routing number of the U.S. ODFI or the foreign financial institution that has provided the funding for the transaction.
- For IAT Entries, the Originating DFI Identification Field within the Company/Batch Control Record must contain the information found within positions 80-87 (GO/Organizing DFI Identification) of the IAT Company/Batch Header Record.

Originator Identification: 10 Positions – Company/Batch Header Record – Mandatory (IAT, IAT Returns, IAT COR)

The Originator Identification is an alphanumeric code used to uniquely identify an Originator. For an Originator that is not a natural Person, this field must contain the IRS Taxpayer Identification Number (TIN) of the Originator identified in the Originator Name Field. For an Originator that is not a natural Person and is not established or organized under the laws of a state or the United States, this field must contain the account number belonging to the Originator (as identified in the Originator Name field) at the foreign financial institution. If this number exceeds nine characters, this field must contain the last nine characters of the account number belonging to the Originator at the foreign financial institution. If the foreign account number contains nine or fewer characters, the entire account number must be utilized.

The Originator Identification may be preceded by a one-digit alphanumeric code, as established between the ODFI and the Originator, for further identification of the Originator to the ODFI. When used, this code must appear in the first position of this field, followed by the Originator Identification, as defined above.

When the ODFI has a contractual relationship with a Third-Party Sender rather than the Originator itself, the value of this field may identify either the Originator or the Third-Party Sender.

REVERSALS: The Originator Identification in a Reversing Entry must be identical to the original, Erroneous Entry to which the Reversal relates.

Originator Name: 35 Positions – Addenda Record – Mandatory (IAT)

This field contains the name of the Originator of the transaction.

REVERSALS: The Originator's name in a Reversing Entry must be identical to the original, Erroneous Entry to which the Reversal relates.

APPENDIX FOUR – RETURN ENTRIES

Part 4.2 Table of Return Reason Codes

PLEASE REFER TO ATTACHED RETURN REASON CODE TABLE FOR CHANGES TO R11 AND R29

ISSUE #2 – ENFORCEMENT

ARTICLE NINE – RULES ENFORCEMENT

Part 9.1 Scope

Appendix Nine governs the rules enforcement procedures to be applied in the event of (1) an ACH rules violation, including a breach of warranty under these rules, filed against a Participating DFI by a Participating DFI or an ACH Operator that is a party to the transaction; (2) the identification of an Originator or Third-Party Sender with excessive return rates; ~~or~~ (3) the failure of a Participating DFI to comply with a direct obligation to the National Association, as defined by these Rules; or (4) an egregious violation (as defined in Subpart 9.4.1, below) of these Rules, filed by the National Association against the Participating DFI. This Appendix Nine also governs the procedures for the ACH Rules Enforcement Panel to determine whether an ODFI should be directed to reduce the Administrative Return Rate or Overall Return Rate of any Originator or Third Party-Sender.

This Appendix Nine (1) defines the criteria under which a rules enforcement proceeding may be initiated ~~for any violation of these Rules;~~ and (2) establishes the parameters under which the National Association may undertake specific actions with respect to the monitoring and reporting of activity causing potential harm to Participating DFIs or the ACH Network.

The purpose of these enforcement mechanisms is to maintain the quality of ACH services and the satisfaction of Participating DFIs and their customers by promoting compliance with these rules and reducing the risks to Participating DFIs and their customers by limiting the number of unauthorized Entries.

Part 9.4 National System of Fines

SUBPART 9.4.1 Initiation of a Rules Enforcement Proceeding

A rules enforcement proceeding may be initiated for any violation of these rules. A rules enforcement proceeding may be conducted by the National Association in response to an ACH rules violation,

including a breach of warranty under these rules, filed against a Participating DFI by a Participating DFI or ACH Operator. The complainant must be a Participating DFI or an ACH Operator that is party to the transaction. A rules enforcement proceeding initiated by a Participating DFI or an ACH Operator must comply with the requirements of Subpart 9.4.2 (Submission Requirements for Rules Enforcement Proceedings Initiated by a Participating DFI or an ACH Operator.) The Report of Possible ACH Rules Violation Form and filing instructions are located in the Nacha Operating Guidelines.

A rules enforcement proceeding may also be initiated and conducted by the National Association (1) as provided in Subpart 9.2.2.2 (National Association May Initiate a Rules Enforcement Proceeding); (2) in response to the National Association's reasonable belief that an ODFI, Originator, or Third-Party Sender has originated Entries without proper authorization in accordance with these Rules; ~~or~~ (3) in response to the failure of a Participating DFI to comply with a direct obligation to the National Association, as defined by these rules; or (4) in response to the National Association's reasonable belief that a Participating DFI, an Originator, a Third-Party Service Provider, or a Third-Party Sender, acting willfully or recklessly, has committed an egregious violation of the rules. For purposes of this enforcement action, an egregious violation of the rules is one in which the violation has (a) impacted at least 100 other Participating DFIs, or (b) affected Entries in the aggregate amount of at least \$1,000,000. The National Association may initiate a rules enforcement proceeding in accordance with clause (2) above on the basis of, and utilize in connection with such a proceeding, any information available to the National Association, including information received from Participating DFIs and ACH Operators.

A rules enforcement proceeding initiated by the National Association must comply with the requirements of Subpart 9.4.3 (Submission Requirements for Rules Enforcement Proceedings Initiated by the National Association).

SUBPART 9.4.3 Submission Requirements for Rules Enforcement Proceedings Initiated by the National Association

Each rules enforcement proceeding initiated by the National Association must contain the following information and conform to the following requirements:

A. a statement outlining the reason(s) for the initiation of a rules enforcement proceeding:

(1) the ODFI failed, within the required time frame, to provide the National Association with complete and accurate information as required by Article Two, Subsection 2.17.2 (ODFI Return Rate Reporting);

(2) the information provided by the ODFI substantiates the claim that an Originator's or Third-Party Sender's Unauthorized Entry Return Rate exceeded the Unauthorized Entry Return Rate Threshold and the ODFI has failed to reduce the Originator's or Third-Party Sender's Unauthorized Entry Return Rate below the Unauthorized Entry Return Rate Threshold within 30 days after receipt of the National Association's written request in accordance with Article Two, Subsection 2.17.2.2 (Additional ODFI Action and Reporting When the Unauthorized Entry Return Rate Threshold Is Exceeded);

(3) the information provided by the ODFI substantiates that an Originator's or Third-Party Sender's Unauthorized Entry Return Rate exceeded the Unauthorized Entry Return Rate Threshold, and the ODFI successfully reduced the Unauthorized Entry Return Rate below the Unauthorized Entry Return Rate Threshold within the 30-day time period, but the ODFI failed to maintain the Unauthorized Entry Return Rate below the Unauthorized Entry Return Rate Threshold for 180 additional days;

(4) the ODFI received, following an inquiry, a written directive from the National Association, on behalf of the ACH Rules Enforcement Panel, to reduce an Originator's or Third-Party Sender's Administrative Return Rate and/or Overall Return Rate(s) below the Administrative Return Rate Level and/or Overall Return Rate Level, and failed to reduce the Administrative Return Rate and/or Overall Return Rate below the applicable Return Rate Level within 30 days after receipt of a written directive from the National Association on behalf of the ACH Rules Enforcement Panel in accordance with Article Two, Subsection 2.17.2.5 (Additional ODFI Action and Reduction of Administrative Return Rate and/or the Overall Return Rate When Directed by the ACH Rules Enforcement Panel);

(5) the ODFI received, following an inquiry, a written directive from the National Association, on behalf of the ACH Rules Enforcement Panel, to reduce an Originator's or Third-Party Sender's Administrative Return Rate and/or Overall Return Rate(s) below the Administrative Return Rate Level and/or Overall Return Rate Level, and the ODFI successfully reduced the Administrative Return Rate and/or Overall Return Rate below the applicable Return Rate Level within the 30-day time period specified in Article Two, Subsection 2.17.2.5 (Additional ODFI Action and Reduction of Administrative Return Rate and/or Overall Return Rate When Directed by ACH Rules Enforcement Panel), but the ODFI failed to maintain the rate below the applicable Return Rate Level for 180 additional days;

(6) the National Association's reasonable belief that an ODFI, Originator, or Third-Party Sender has originated Entries without proper authorization in accordance with these Rules;

(7) the Participating DFI failed to comply with a direct obligation to the National Association, as defined by these rules; ~~or~~

(8) the National Association's reasonable belief that a Participating DFI, an Originator, a Third-Party Service Provider, or a Third-Party Sender, acting willfully or recklessly, has committed an egregious violation of the rules, as defined in Subpart 9.4.1 (Initiation of a Rules Enforcement Proceeding). The National Association may submit an egregious violation of the rules as either a Class 2 or a Class 3 Rules Violation, as the facts and circumstances require.

B. for a rules enforcement proceeding initiated in response to a violation involving the Unauthorized Entry Return Rate Threshold or a Return Rate Level, according to Part 9.2 (ODFI Reporting Requirements) of this Appendix Ten, a copy of the National Association's written request for information according to Subpart 9.2.1 (National Association Request for Information) of this Appendix Nine.

A rules enforcement proceeding initiated by the National Association must be submitted within 90 days of the occurrence of the rule violation(s) asserted.

SUBPART 9.4.4 Assessment of Rules Enforcement Submission

Each submission of a rules enforcement proceeding will be evaluated by the National Association to ensure that the documentation necessary to identify the incident has been included and to determine whether a violation of these rules appears to have occurred. If the National Association makes a preliminary determination that a violation of these rules has occurred, the National Association will identify whether the violation is (1) the first such violation, (2) a Class 1 Rules Violation involving a recurrence of a previous violation, ~~or~~ (3) a Class 2 Rules Violation, or (4) a Class 3 Rules Violation, and it will issue either a Notice of Possible ACH Rules Violation or a Notice of Possible Fine in accordance with this Subpart ~~10.4.4~~ 9.4.4. If the National Association determines that it is unclear whether a rules violation has occurred, or if the National Association believes the violation involves a Class 2 Rules

Violation or a Class 3 Rules Violation, it may forward the issue to the ACH Rules Enforcement Panel for additional review.

In circumstances involving (1) a submission to the rules enforcement process from a Participating DFI or an ACH Operator that is a party to a transaction, identifying either a Class 1 Rules Violation or a Class 2 Rules Violation; ~~or~~ (2) a rules enforcement proceeding initiated by the National Association because of a Class 2 Rules Violation, or (3) a rules enforcement proceeding initiated by the National Association because of a Class 3 Rules Violation, the issue will be forwarded directly to the ACH Rules Enforcement Panel for evaluation and possible assessment of a fine or penalty in accordance with Subpart 9.4.7 (Fines and Penalties).

SUBPART 9.4.4.1 Notice of Possible ACH Rules Violation

If the National Association determines that the violation is the first such infraction of these rules (other than an egregious violation, as defined in Subpart 9.4.1 (Initiation of a Rules Enforcement Proceeding)), a Notice of Possible ACH Rules Violation will be sent to the ACH Manager at the respondent Participating DFI, within ten Banking Days via traceable delivery method, indicating that an infraction of the rules appears to have occurred and explaining that fines may be imposed against the Participating DFI in the event that the rule violation is not corrected.

The Participating DFI will be asked to correct the problem that caused the rule violation and to respond within ten Banking Days after the date on which it received the Notice of Possible ACH Rules Violation. The Notice of Possible ACH Rules Violation Response Form must be sent, via traceable delivery method, to the National Association and must include either (1) an acknowledgment of the Participating DFI's recognition of and intent to correct the problem causing the rule violation, along with a statement specifying the date by which the Participating DFI will resolve the problem (resolution date), or (2) a statement, along with supporting documentation, that the Participating DFI does not believe that a rules infraction has occurred.

If the National Association receives the Participating DFI's completed response form and any necessary documentation within the ten Banking Day time frame, no additional action will be taken by the National Association unless (1) the National Association believes the time frame and resolution date asserted by a Participating DFI as necessary to resolve the problem causing the rules violation are excessive and require review by the ACH Rules Enforcement Panel, or (2) the National Association receives an additional submission of a rule violation report.

SUBPART 9.4.4.2 Notice of Possible Fine

If the National Association determines that the violation is a Class 1, Class 2, or Class 3 Rules Violation, as defined by Subpart ~~10.4.7~~ 9.4.7 (Fines and Penalties), a Notice of Possible Fine will be sent to the Participating DFI and the National Association will forward the issue to the ACH Rules Enforcement Panel to consider the imposition of a fine against the Participating DFI in accordance with Subpart 9.4.7 of this Appendix Nine.

In the Notice of Possible Fine, the Participating DFI will be asked to correct the rule violation that is the basis for the Notice of Possible Fine and to respond to the National Association within ten Banking Days after the date on which it received a Notice of Possible Fine. The Notice of Possible Fine Response Form must be sent, via traceable delivery method, to the National Association and must include either (1) an acknowledgment of the Participating DFI's recognition of and intent to correct the problem causing the rule violation that is the basis for the Notice of Possible Fine, along with a statement specifying the

Resolution Date, or (2) a statement, along with supporting documentation, that the Participating DFI does not believe that a rules violation occurred.

Where the ODFI fails to provide a complete and accurate response in accordance with the requirements of Article Two, Subsection 2.17.2 (ODFI Return Rate Reporting), the ODFI's acknowledgment to the Notice of Possible Fine must include the reporting information required by Article Two, Subsection 2.17.2. In situations involving the ODFI's affirmation that an Originator's or Third-Party Sender's return rate(s) exceeded either:

1. the Unauthorized Entry Return Rate Threshold; or
2. the applicable Administrative Return Rate Level and/or Overall Return Rate Level after receiving a written directive from the National Association to lower the return rate,

the ODFI's acknowledgment to the Notice of Possible Fine must include updated information on, and the timetable for, the implementation of the ODFI's plan to reduce the return rate(s) below the applicable threshold or level.

Where the ODFI fails to register or provide data reporting in accordance with the requirements of Article Two, Subsection 2.17.1 (Direct Access Registration), the ODFI's acknowledgement to the Notice of Possible Fine must include the registration information required by Article Two, Subsection 2.17.1.

If the National Association receives the Participating DFI's completed response form and related information within the ten Banking Day time frame, and the National Association determines that the response refutes the claim in the Notice of Possible Fine, the National Association will take no additional action at that time. In all other circumstances described within this Subpart 9.4.4.2, the National Association will forward the issue to the ACH Rules Enforcement Panel for its consideration and possible imposition of a fine in accordance with Subpart 9.4.7 (Fines and Penalties) of this Appendix Nine.

SUBPART 9.4.5 Notifications

SUBPART 9.4.5.1 Notification on Initiation of Rules Enforcement Proceeding

An informational copy of each rules enforcement proceeding initiated under this Appendix ~~Ten~~ **Nine** will be forwarded to the Payments Association of both the complainant and the respondent. In the event that either party is an access participant (i.e., not a member of a Payments Association), an informational copy will be forwarded to the local Federal Reserve Bank. In situations involving the initiation of a rules enforcement proceeding by the National Association according to Subpart 9.4.1 (Initiation of a Rules Enforcement Proceeding), an informational copy of each such rules enforcement proceeding initiated will be forwarded to the ACH Operators.

SUBPART 9.4.5.2 Notification on Resolution of Issue

The National Association will notify the complainant upon the resolution of the rules enforcement proceeding that either (1) the violation has been resolved or will be resolved within a certain time period, or (2) the respondent has refuted the claim of a rules violation.

SUBPART 9.4.6 ACH Rules Enforcement Panel

SUBPART 9.4.6.1 Selection of Enforcement Panel

The National Association will maintain a list of members of the ACH Rules Enforcement Panel that have been nominated in accordance with the procedures established by the National Association.

SUBPART 9.4.6.2 Responsibilities of Enforcement Panel

The ACH Rules Enforcement Panel, in accordance with these rules, is the final authority regarding each of these issues:

- the imposition of any fines or penalties recommended by the National Association;
- instances in which the National Association believes the time frames and Resolution Dates asserted by the respondent Participating DFI as necessary to resolve the problem causing a rules violation are excessive;
- instances in which the National Association believes an ODFI, Originator, or Third-Party Sender has originated Entries without proper authorization in accordance with these Rules;
- instances in which the National Association reasonably believes the Participating DFI, Originator, Third-Party Service Provider, or Third-Party Sender has engaged in egregious or willfully reckless actions or conduct involving use of the ACH Network;
- instances in which the National Association believes an ODFI, Originator, or Third-Party Sender has attempted to evade the limitations on Reinitiation;
- instances in which the National Association recommends, after the inquiry process, that an ODFI be required to reduce an Originator's or Third-Party Sender's applicable return rate below the Administrative Return Rate Level and/or the Overall Return Rate Level;
- instances in which the National Association believes an ODFI, Originator, or Third-Party Sender has attempted to evade the \$25,000 per-Entry limitation on Same Day Entries;
- instances in which the National Association believes an ODFI, Originator, or Third-Party Sender has attempted to evade the \$100,000 per-Entry limitation on Same Day Entries;
- rules violations that the National Association believes constitute Class 1, Class 2, or Class 3 Rules Violations; and
- situations in which the National Association determines that it is unclear whether a rules violation has occurred.

SUBPART 9.4.7 Fines and Penalties

SUBPART 9.4.7.1 Imposition of Fines/Penalties

In the event that a Participating DFI is cited with a Class 1, Class 2, or Class 3 Rules Violation, the National Association will impose a fine, subject to approval by the ACH Rules Enforcement Panel, on the Participating DFI in accordance with this Subpart 9.4.7.

The National Association will collect a fine by transmitting an ACH debit to the account of the affected respondent Participating DFI. Each Participating DFI agrees to the payment of any fines in accordance with this process. The National Association will provide notice to the respondent Participating DFI of the date and amount of the debit at least seven Banking Days in advance of the Settlement Date of the debit.

SUBPART 9.4.7.2 Determination of Fines

The fine(s) levied against a respondent Participating DFI for an infraction(s) of these rules will be determined based on an evaluation by the National Association of whether the rules violation is a Class 1, Class 2, or Class 3 Rules Violation.

SUBPART 9.4.7.3 Class 1 Rules Violation

A Class 1 Rules Violation involves a recurrence of a previous rules violation. A rules violation is considered to be a recurrence of a previously reported infraction of these rules if:

- the same infraction is committed by the same Originator that transmits through the ODFI within the one-year period following the Resolution Date of the initial rules violation;
- the same infraction is committed by the same Third-Party Service Provider transmitting through or on behalf of an ODFI or receiving on behalf of an RDFI within the one-year period following the Resolution Date of the initial rules violation; or
- the same infraction is committed by the same Participating DFI within the one-year period following the Resolution Date of the initial rules violation.

Fines for recurrences may be assessed by the ACH Rules Enforcement Panel as follows:

- The first recurrence of a rules violation that will cause a fine to be levied by the National Association will result in an assessment of up to \$1,000 against the Participating DFI.
- The second recurrence of a rules violation that causes a fine to be levied by the National Association will result in an assessment of up to \$2,500 against the Participating DFI.
- The third recurrence of a rules violation that causes a fine to be levied by the National Association will result in an assessment of up to \$5,000 against the Participating DFI.

SUBPART 9.4.7.4 Class 2 Rules Violation

A Class 2 Rules Violation is one in which:

(1) the Participating DFI has not responded to either the Notice of Possible ACH Rules Violation or the Notice of Possible Fine;

(2) the Participating DFI responds to either notice that it does not intend to correct the rules violation;

(3) the Participating DFI

(i) fails to respond completely and accurately, within the proper time frame, to the National Association's request for information in accordance with the requirements of Article Two, Subsection 2.17.2 (ODFI Return Rate Reporting);

(ii) fails to reduce the Originator's or Third-Party Sender's Unauthorized Entry Return Rate below the Unauthorized Entry Return Rate Threshold within 30 days of receipt of the National Association's written request;

(iii) successfully reduces the Unauthorized Entry Return Rate below the Unauthorized Entry Return Rate Threshold within the 30-day time period, but fails to maintain the Unauthorized Entry Return Rate

below the Unauthorized Entry Return Rate Threshold for 180 additional days. The Panel may consider the Originator's or Third-Party Sender's volume of debit Entries as an extenuating circumstance in determining whether a violation under this provision constitutes a Class 2 Rules Violation;

(iv) fails to reduce the Administrative Return Rate or Overall Return Rate of an Originator or Third-Party Sender below the applicable Return Rate Level within 30 days after receipt of the written directive; or

(v) successfully reduces the Administrative Return Rate or Overall Return Rate of an Originator or Third-Party Sender below the applicable Return Rate Level within 30 days after receipt of a written directive, but fails to maintain the rate below the applicable Return Rate Level for 180 additional days;

(4) the Participating DFI fails to register its Direct Access Debit Participant status or provide data reporting on a Direct Access Debit Participant, as required by Article Two, Subsection 2.17.1 (Direct Access Registration);

(5) the Participating DFI fails to register a Third-Party Sender(s) with the National Association, or provide other required information, as required by Article Two, Subsection 2.17.3 (Third-Party Sender Registration);

(6) the Participating DFI fails to provide the National Association with proof of completion of its own, its Third-Party Service Provider's, or its Third-Party Sender's rules compliance audit, as required by Appendix One, Subsection 1.2.2.2 (Proof of Completion of Audit);

(7) the ACH Rules Enforcement Panel determines the time frame and resolution date asserted by a Participating DFI as necessary to resolve the problem causing the rules violation are excessive;

(8) the National Association believes that the violation causes excessive harm to one or more Participating DFIs or the ACH Network, including, but not limited to, situations in which the National Association has a reasonable belief that a Participating DFI, an Originator, a Third-Party Service Provider, or a Third-Party Sender, acting willfully or recklessly, has committed an egregious violation of the rules that has (a) impacted at least 100 other Participating DFIs, or (b) affected Entries in the aggregate amount of at least \$1,000,000; or

(9) it is the fourth or subsequent recurrence of the same rules violation in which the most recent recurrence occurs within one year of the resolution date of the immediately preceding recurrence.

In situations involving a Class 2 Rules Violation, the ACH Rules Enforcement Panel may levy a fine against the respondent Participating DFI in an amount up to \$100,000 per month until the problem is resolved. Where the violation relates to a specific Originator or Third-Party Service Provider at the DFI, a separate monthly fine may be assessed to the DFI with respect to each such Originator or Third-Party Service Provider.

SUBPART 9.4.7.5 Class 3 Rules Violation

A Class 3 Rules Violation is one in which:

(1) In any case where a Class 2 Rules Violation, as defined by Subpart 9.4.7.4 (Class 2 Rules Violation), has continued for at least three consecutive months; or, the ACH Rules Enforcement Panel may determine that the violation of these rules by a respondent Participating DFI is a Class 3 Rules

~~Violation and may levy a fine against the respondent Participating DFI of up to \$500,000 per month until the problem causing the violation is resolved.~~

~~(2) the National Association has a reasonable belief that a Participating DFI, an Originator, a Third-Party Service Provider, or a Third-Party Sender, acting willfully or recklessly, has committed an egregious violation of the rules that has (a) impacted at least 100 other Participating DFIs, or (b) affected Entries in the aggregate amount of at least \$1,000,000.~~

~~In situations involving a Class 3 Rules Violation, the ACH Rules Enforcement Panel may levy a fine against the respondent Participating DFI of up to \$500,000 per month until the problem causing the violation is resolved. Where the violation relates to a specific Originator, Third-Party Service Provider, or Third-Party Sender, a separate monthly fine may be assessed to the Participating DFI with respect to each Originator, Third-Party Service Provider, or Third-Party Sender.~~

~~A Participating DFI authorizes the National Association to report Class 3 Rules Violations to ACH Operators, and to federal and state banking, consumer protection, and other appropriate regulators and agencies.~~

SUBPART 9.4.7.6 Suspension and Appeal

In circumstances where the ACH Rules Enforcement Panel has determined that there is a Class 3 Rules Violation that relates to a specific Originator or Third-Party Sender according to Subpart 9.4.7.5 (Class 3 Rules Violation) of this Appendix ~~Ten~~ Nine, the ACH Rules Enforcement Panel may direct the ODFI to suspend the Originator or Third-Party Sender from originating additional Entries. Any such suspension may be lifted only by the ACH Rules Enforcement Panel or by an Appeals Panel in accordance with an appeal of a suspension order. An Appeals Panel comprised of at least three individuals will be selected by the National Association from the list of arbitrators maintained by the National Association in accordance with Appendix Eight (Arbitration Procedures). The function of the Appeals Panel is to act as an appellate body, not as an arbitration panel, for rules enforcement cases involving suspension as provided in Appendix Nine (Rules Enforcement).

In cases where the ACH Rules Enforcement Panel has directed an ODFI to suspend an Originator or Third-Party Sender from originating, the National Association will provide notice of the suspension, and any subsequent reinstatement, to Participating DFIs, ACH Operators, and Payments Associations.

A Participating DFI may appeal a suspension order by providing written notice to the National Association within five Banking Days of the date of the suspension order. The written notice of appeal must include a statement identifying whether the Participating DFI believes that (i) the ACH Rules Enforcement Panel erred in concluding that there was a violation of the Rules, (ii) the ACH Rules Enforcement Panel erred in assessing the severity or impact of the violation, or (iii) the ACH Rules Enforcement Panel failed to consider other factors that make suspension an inappropriate remedy under the circumstances. The written notice also must identify whether the Participating DFI seeks an emergency stay of the suspension order while the appeal is being considered by the Appeals Panel.

Upon receipt of a notice of appeal, the National Association will promptly provide to each member of the Appeals Panel a copy of the notice of appeal, including any ancillary documentation provided by the Participating DFI, a copy of the order and findings of the ACH Rules Enforcement Panel, and an explanation whether and why the National Association supports or opposes the appeal. Upon the request of any member of the Appeals Panel, the National Association will also provide to the Appeals Panel any other materials from the record of the ACH Rules Enforcement Panel's deliberations.

If the Participating DFI requests an emergency stay of the suspension order, the National Association will promptly provide that request to the Appeals Panel together with the National Association's recommendation whether to grant such request. The Appeals Panel will endeavor to consider the request for the emergency stay within five Banking Days of the date it is notified of such a request by the National Association. The Appeals Panel may grant or deny an emergency stay in its sole discretion and may modify or revoke any decision to grant or deny an emergency stay at any time in its sole discretion.

Within ten Banking Days of the date of the suspension order, the Participating DFI will provide to the National Association any additional information that the Participating DFI wishes the Appeals Panel to consider in connection with the appeal. The Appeals Panel may request, and the Participating DFI and/or the National Association will promptly provide, any additional information that the Appeals Panel deems relevant to its determination.

The deliberations of the Appeals Panel in connection with an appeal may be in any form and using any procedures determined by the Appeals Panel in its sole discretion, including in-person meetings or telephonic or electronic communications, except as specified in this Subsection. The decision of an ACH Rules Enforcement Panel will stand unless overturned or stayed by the Appeals Panel.

The Appeals Panel will rule on the appeal within thirty days of the date of the Participating DFI's written notice of appeal. Any ruling will be final and unappealable.

SUBPART 9.4.7.7 Protection of the National Association from Liability for Enforcement of the Rules

The National Association, its officers, directors, employees, agents, and members of its committees, ACH Rules Enforcement Panel, and Appeals Panel do not have, nor shall they incur, any liability or obligation rising directly or indirectly from their acts or omissions in connection with the interpretation or enforcement of, delay in interpretation or enforcement of, or failure to interpret or enforce these Rules. Each Participating DFI shall indemnify, hold harmless, and defend the National Association, its officers, directors, employees, agents and members of its committees, ACH Rules Enforcement Panel, and Appeals Panel from and against any actual or threatened claim, demand, obligation, loss, cost, liability and/or expense (including, without limitation, actual attorneys' fees, costs of investigation, and disbursements) resulting from and/or arising in connection with any of the foregoing with respect to that Participating DFI, any of its Originators, Third-Party Service Providers or Third-Party Senders or any of its or their respective officers, directors, employees, or agents.

PART 4.2 Table of Return Reason Codes (continued)

CODE	TITLE	DESCRIPTION	INITIATED BY	RETURN TYPE	ACCOUNT TYPE	TIME FRAME	WRITTEN STATEMENT REQUIRED	CROSS REFERENCE	NOTES
R11	Customer Advises Entry Not in Accordance with the Terms of the Authorization	The RDFI has been notified by the Receiver that the Originator and Receiver have a relationship and an authorization to debit exists, but there is an error or defect in the payment such that the entry does not conform to the terms of the authorization (for example, the entry is for an amount different than authorized; the entry was initiated for settlement earlier than authorized; the entry is part of an Incomplete Transaction; the debit entry was improperly reinitiated; for ARC, BOC, or POP entries; ineligible source document, notice was not provided; amount of the entry was not accurately obtained from the source document; the Reversing Entry was improperly initiated by the Originator or ODFI.)	RDFI	Extended Return	Consumer, For ARC, BOC, POP, and IAT entries, may also be a Non-Consumer. See note for additional exceptions.	**60 Calendar Days	Yes	Article Three, Subsection 3.12.1(b); 3.12.1(c) – Unauthorized Debit Entry Article Three, Subsection 3.12.2 – Improper ARC, BOC, POP, and RRG Article Three, Subsection 3.12.3 – Incomplete Transaction Article Three, Subsection 3.12.4 – Improperly Reinitiated Debit Entries Article Three, Subsection 3.12.2 – Debit Entry Not in Accordance with the Terms of the Authorization Subsection 3.12.2.4 – Improperly-Initiated Reversal Article Three, Subsection 3.1.3 - RDFI May Rely on Standard Entry Class Codes Article Three, Subsection 3.4.1.1 - Rule Exception for CCD and CTX Entries to Consumer Accounts Article Three, Section 3.13 - RDFI Right to Transmit Extended Return Entries Article Eight, Section 8.53 - Incomplete Transaction.	Not to be used to return (1) entries where the Originator and Receiver have no relationship or the Receiver has not authorized the Originator to debit the Receiver's account; (2) ARC and BOC entries for which the Receiver has notified the RDFI that the signature on the source document is not authentic or authorized, or (3) POP entries for which the Receiver has notified the RDFI that the signature on the written authorization is not authentic or authorized. See Return Reason Code R10 Not for use with CCD or CTX Entries. For CCD or CTX Entries to Consumer Accounts, see R05. For CCD or CTX Entries to Non-Consumer Accounts, see R29. This code may be used for the return of an Entry bearing a consumer SEC Code that has been received to a non-Consumer Account, where the debit Entry was not in accordance with the terms of the authorization. For ARC, BOC, and POP entries for which the source document has been presented for payment, use R37.
R12	Account Sold to Another DFI	A financial institution received an Entry to an account that was sold to another financial institution.	RDFI	Return	Consumer or Non-Consumer	* 2 Banking Days	No	Article Three, Section 3.8 - RDFI's Right to Transmit Return Entries.	

* 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.

PART 4.2 Table of Return Reason Codes (continued)

CODE	TITLE	DESCRIPTION	INITIATED BY	RETURN TYPE	ACCOUNT TYPE	TIME FRAME	WRITTEN STATEMENT REQUIRED	CROSS REFERENCE	NOTES
R27	Trace Number Error	(1) Original Entry Trace Number is not present in the Addenda Record on a Return or Notification of Change Entry; or (2) Trace Number of an Addenda Record is not the same as the Trace Number of the preceding Entry Detail Record.	ACH Operator	Reject/Return	Consumer or Non-Consumer	Next file delivery time following processing	No	Appendix Two, Part 2.5 (Automatic Entry Detail Rejection Criteria).	For ACH Operator use only.
R28	Routing Number Check Digit Error	The check digit for a routing number is not valid.	ACH Operator	Reject/Return	Consumer or Non-Consumer	Next file delivery time following processing	No	Appendix Two, Part 2.5 (Automatic Entry Detail Rejection Criteria).	For ACH Operator use only.
R29	Corporate Customer Advises Not Authorized	The RDFI has been notified by the Receiver (Non-Consumer) that (1) a specific Entry has not been authorized by the Receiver, or (2) a Reversing Entry was improperly initiated by the Originator or ODFI.	RDFI	Return	Non-Consumer	* 2 Banking Days	No	Article Three, Section 3.8 - RDFI's Right to Transmit Return Entries. Article Three, Subsection 3.8.2.1 – Unauthorized Debit Entry;	Beyond the return time frame the ODFI may agree to accept a late Return Entry; if so use R31.
R30	RDFI Not Participant in Check Truncation Program	The RDFI does not participate in a Check Truncation Program.	ACH Operator	Reject/Return	Consumer or Non-Consumer	Next file delivery time following processing	No	Appendix Two, Part 2.5 (Automatic Entry Detail Rejection Criteria). Article Four, Subsection 4.2.6 - Return and Rejection of TRC Entries or TRX Entries.	For ACH Operator use only.
R31	Permissible Return Entry (CCD and CTX only)	The RDFI may return a CCD or CTX Entry that the ODFI agrees to accept.	RDFI	Return	Non-Consumer	Not defined, determined by the ODFI and RDFI.	No	Article Three, Subsection 3.8.3.5 - Late Return Entries for CCD or CTX Entries with ODFI Agreement.	CCD and CTX Entries only.
R32	RDFI Non-Settlement	The RDFI is not able to settle the Entry.	ACH Operator	Reject/Return	Consumer or Non-Consumer	Next file delivery time following processing	No	Appendix Two, Part 2.5 (Automatic Entry Detail Rejection Criteria).	For ACH Operator use only.
R33	Return of XCK Entry	This Return Reason Code may only be used to return XCK Entries and is at the RDFI's sole discretion.	RDFI	Extended Return	Consumer or Non-Consumer	** 60 Calendar Days	No	Article Three, Subsection 3.8.3.4 - Timing Requirements for Return of XCK Entries.	

* 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.