

NACHA RULES §§2.2, 7.4

Section 2.2: Warranties and Liabilities of Originating Depository Financial Institutions

2.2.1 Warranties.

Each ODFI sending an entry warrants the following to each RDFI, ACH Operator, and Associations:

2.2.1.1. Authorization by Originator and Receiver.

Except in the case of XCK entries initiated pursuant to section 2.7 (Destroyed Check Entries), RCK entries initiated pursuant to section 2.8 (Re-presented Check Entries), or debt entries initiated pursuant to subsection 2.1.4(2) (Authorization/Notification for PPD Accounts Receivable Truncated Check Debit Entries), each entry transmitted by the ODFI to an ACH Operator is in accordance with proper authorization provided by the Originator and the Receiver.

2.2.1.2 Timeliness of Entries

Each credit entry is timely, and each debit entry is for an amount which on the Settlement Date will be due and owing to the Originator from the Receiver, is for a sum specified by the Receiver to be paid to the Originator, or is to correct a previously transmitted erroneous credit entry.

2.2.1.3 Compliance with other Requirements

All other applicable requirements of section 2.1 (Prerequisites to Origination concerning the authorization and entry have been satisfied, the entry has not been reinitiated in violation of section 2.11 (Reinitiation of Returned Entries by Originators), and the entry otherwise complies with these rules.

2.2.1.4 Revocation of Authorization

At the time the entry is transmitted to an Originating ACH Operator, the Originator's authorization has not been revoked, the agreement between the ODFI and Originator concerning the entry has not been terminated and either the ODFI nor the Originator has actual knowledge of the revocation of the Receiver's authorization or of the termination of the arrangement between RDFI and the Receiver concerning the entry.

2.2.1.5 Termination of Authorization by Operation of Law

At the time the entry is processed by an RDFI, the authorization for that entry has not been terminated, in whole or in part, by operation of law. This subsection shall not apply if the RDFI has actual knowledge of the circumstances giving rise to such termination at the time it processes the entry and the ODFI does not have such actual knowledge.

2.2.1.6 PIN Requirements

If a personal identification number (PIN) is required in connection with the authorization for an MTE, POS, or SHR entry, the Originator has complied with the American National Standards Institute's (ANSI) Accredited Standards Committee (ASC) X9.8 Concerning PIN Management and Security. This warranty does not apply to SHR or MTE entries if the ODFI and the RDFI are parties to an agreement (other than these rules) for the provision of services relating to these entries, or if a card issued by the ODFI or Originator of the entry issued in connection with the authorization for these entries.

2.2.1.7 Transmittal of Required Information

Each entry transmitted by the ODFI to an ACH Operator contains the correct Receiver account number and all other information necessary to enable the RDFI to comply with the requirements of section 4.5 (Periodic Statements) except for information within the purview of the RDFI's relationship with the Receiver. Information transmitted with an entry is payment related and conforms to the requirements of Appendix Two (ACH Record Format Specifications).

2.2.1.8 Reclamation Entries

(a) In the case of a reclamation entry initiation pursuant to section 2.6 (Reclamation Entries) or a written demand for payment initiated pursuant to section 4.7 (Liability of RDFI for Benefit Payments), all information is accurate and applies to the Receiver and account identified in the reclamation entry or written demand;

(b) Each such reclamation entry or written demand for payment falls within the time requirements of section 4.7.4 (Timing), has been properly authorized by the intended Receiver of the reclamation entry or written demand, and the authorization for the entry or written demand has not been revoked or otherwise terminated at the time it is received by the RDFI;

(c) Any payments subject to section 4.7 are made with no restrictions on the number of parties having an interest in the account.

2.2.1.9 Sending Points

An entry containing the routing number of an ODFI which is transmitted to an ACH Operator by a Sending Point used by the ODFI to transmit entries to an ACH Operator on its behalf is transmitted pursuant to an agreement entered into between the ODFI and the Sending Point to transmit the entry.

2.2.1.10 Audits

The ODFI and any third-party service provider that has acted on behalf of the ODFI with regard to the entry are in compliance with the audit requirements set forth in Appendix Eight (Rule Compliance Audit Requirements), which provide for an annual audit of compliance with these rules.

2.2.1.11 Point-of-Purchase Entries

For a POP entry, the source documents provided to the Originator for use in obtaining the Receiver's routing number, account number, and check serial number for the initiation of such an entry is

- (1) returned voided to the Receiver after use by the originator, and
- (2) Has not been provided by the Receiver for use in any prior POP entry

[2.2.1.12 Telephone-Initiated Entries

For each TEL entry, the Originator

- (1) has employed commercially reasonable procedures to verify the identity of the Receiver, and*
- (2) has utilized commercially reasonable procedures to verify that routing numbers are valid.]*

2.2.2 Limitation

Notwithstanding anything in these rules to be contrary to the warranties contained within subsection 2.2.1 (Warranties) and the requirements of subsection 2.1.2 (Receiver Authorization and Agreement) do not apply to the goods or services to which the entry relates.

2.2.3 Liability for Breach of Warranty

Each ODFI breaching any of the preceding warranties shall indemnify each RDFI, ACH Operator, and Association from and against any and all claim, demand, loss, liability, or expense, including attorneys' fees and costs, that result directly or indirectly from the breach of warranty or the debiting or crediting of the entry to the Receiver's account. This indemnity includes, without limitation, any claim, demand, loss, liability, or expense based on the ground that the debiting of an entry to an account resulted, either directly or indirectly, in the return of one or more items or entries of the Receiver due to insufficient funds. This indemnity also includes, in the case of a Consumer Account, without limitation, any claim, demand, loss, liability, or expense based on the ground that the failure of the ODFI to comply with any provision of these rules resulted, either directly or indirectly, in the violation by an RDFI of the Federal Electronic Fund Transfer Act or Federal Reserve Board Regulation E.

2.2.4 Sending Points

An ODFI shall be deemed to have made the warranties of subsection 2.2.1 (Warranties) for each entry described in subsection 2.2.1.9 (Sending Points) whether or not the Sending Point was authorized by the ODFI to transmit the entry.

Section 7.4 Stop Payment Affecting Consumer Accounts

For all entries except RCK entries, PPD accounts Receivable Truncated Check Debit Entries as defined by subsection 2.9.2 (Eligible Item), and POP entries, a Receiver may stop the payment of a debit entry initiated or to be initiated to a Consumer Account of the Receiver or to be initiated to a Consumer Account of the Receiver by providing either verbal or written notification to the RDFI at least three banking days before the scheduled date of the transfer. *[For all entries except RCK entries, PPD Accounts Receivable Truncated Check Debit Entries as defined by subsection 2.9.2 (Eligible Item), POP entries, and Single Entry WEB entries, a Receiver may stop the payment of a debit entry initiated or to be initiated to a Consumer Account of the Receiver by providing either verbal or written notification to the RDFI at least three banking days before the scheduled date of the transfer.]* *For all entries except RCK entries, PPD accounts Receivable Truncated Check Debit Entries as defined by subsection 2.9.2 (eligible Item), POP entries, Single-Entry WEB entries, and TEL entries a Receiver may stop the payment of a debit entry initiated or to be initiated to a Consumer Account of the Receiver by providing either verbal or written notification to the RDFI at least three banking days before the schedule date of the transfer.]* An RDFI may honor a stop payment order received within the three-banking-day limit prescribed above, and if it honors such a request, the RDFI has no resultant liability or responsibility to any Originator, ODFI, or other person

having any interest in the entry. For RCK entries, for PPD accounts Receivable Truncated Check Debit Entries, and for POP entries the stop payment order must be provided to the RDFI at such time and in such manner as to allow the RDFI a reasonable opportunity to act upon the stop payment order prior to acting on the debit entry. *[For RCK entries, for PPD Accounts Receivable Truncated Check Debit Entries, for POP entries, and for Single-Entry WEB entries, the stop payment order must be provided to the RDFI at such time and in such manner as to allow the RDFI a reasonable opportunity to act upon the stop payment order prior to acting on the debit entry.] [For RCK entries for PPD Accounts Receivable Truncated Check Debit Entries, for POP entries, for Single-Entry WEB entries, and for TEL entries, the stop payment order must be provided to the RDFI at such time and in such manner as to allow the RDI a reasonable opportunity to act upon the stop payment order prior to acting on the debit entry.]* The RDFI may require that written confirmation of a verbal stop payment order be made within 14 days of a verbal stop payment order, provided that the RDFI notifies the Receiver of this requirement and provides an address to which the written confirmation should be sent at the time the verbal order is provided. If the RDFI requires written confirmation, the verbal stop payment order will cease to be binding after 14 days. A Receiver may withdraw a stop payment order by providing written notice to the RDFI. A stop payment order will remain in effect

- (1) for six months from the date of the stop payment order,
- (2) until payment of the debit entry has been stopped, or
- (3) until the Receiver withdraws the stop payment order, whichever occurs earliest.