

Nacha Guidance to ODFIs on Reversals
March 26, 2020

The United States is experiencing a challenging time due to Covid-19. Many businesses and workers are feeling the economic impacts from Covid-19 due to the stay-at-home and social distancing requirements of many state and local jurisdictions. As some businesses potentially face a cash shortfall due to the significant interruption of normal commercial activity, Nacha wants to refresh all ODFIs' understanding of the proper and improper uses of Reversals in the ACH Network.

The Nacha Operating Rules permit Reversals only for a limited set of circumstances to correct errors. See the 2020 Nacha Operating Rules, Subsection 2.9.1 on Reversing Entries for a listing of these circumstances.

The Nacha Operating Rules do not permit Reversals due to a client's failure to fund an ACH file, whether it is an ODFI's direct customer, or whether it is the customer of an ODFI's Third-Party Sender customer. The Rules also do not permit Reversals of prior payments because a business is facing a cash shortfall.

If a business is facing a cash shortfall, the Rules do not permit the business (or its processor) to claw back previous salary and wage payments to employees made via ACH, payments made to suppliers and vendors by ACH, or other similar payments.

It is essential to the operation of the ACH system that RDFIs and their Receivers be able to rely on the ACH credit files they receive. It is therefore incumbent on ODFIs, for their own protection, to work with their Originators and Third-Party Senders to ensure that proper funding has been addressed when originating those credit files. While valid Reversals are an important and useful tool to correct errors, and do not require authorization by Receivers, invalid Reversals may be considered unauthorized, and may be subject to penalties as Rules violations.

Nacha asks all ODFIs to refresh their understanding of the Rules on Reversals.