

**ELECTRONIC PAYMENTS NETWORK**  
**RULES OF MEMBERSHIP and OPERATING RULES**

Effective September 23, 2016

**ELECTRONIC PAYMENTS NETWORK****RULES OF MEMBERSHIP****1. Eligibility for Participation**

- (a) Any of the following may apply to become a participant in the Electronic Payments Network (“EPN”), a system operated as an automated clearing house by The Clearing House Payments Company L.L.C. (“The Clearing House”): (i) a “depository institution” as defined in § 19(b) of the Federal Reserve Act, 12 U.S.C. § 461(b); (ii) any “agency” of a foreign bank as defined in § 1(b) of the International Banking Act of 1978, 12 U.S.C. § 3101; (iii) a “private banker” as defined in § 2(3) of the New York Banking Law; (iv) a corporation licensed to operate an agency in New York under the provisions of Article V of the New York Banking Law; (v) the Federal Reserve Bank of New York; (vi) the Government Development Bank of Puerto Rico; and (vii) the Federal Home Loan Bank of New York.
- (b) The term “depository financial institution” or “DFI” as used in these EPN Rules of Membership means any entity described in (a) above.
- (c) Settlement Arrangements.
  - (i) A prospective participant must have entered into an agreement with the Federal Reserve Bank of New York (“FRBNY”) pursuant to which the prospective participant may settle balances arising from the exchange of entries using its own Federal Reserve account or the Federal Reserve account of another depository institution in accordance with the terms of the applicable Federal Reserve Bank Operating Circular.
  - (ii) If the prospective participant does not intend to settle for intra-EPN entries using its own Federal Reserve account, it must have designated a depository financial institution to settle entries on its behalf and provided the Clearing House with a written statement in which a duly authorized representative of the depository institution, as determined by The Clearing House, acknowledges that it has agreed to assume the obligations of a settler for that participant under the EPN Rules of Membership and the EPN Operating Rules (collectively referred to herein as the EPN Rules). The Clearing House in its sole discretion may determine that a designated depository institution is not a suitable settler and require the prospective participant to make other settlement arrangements.

- (d) A prospective participant must have been assigned a valid routing number in accordance with procedures established by the American Bankers Association.

## 2. Procedures for Approval of Applicants

- (a) A prospective participant must:
  - (i) execute and deliver to the Clearing House the Participant Agreement and Indemnity set forth in Appendix A of these rules or such other agreement as has been approved by the Chief Executive Officer of the Clearing House or his or her designee;
  - (ii) have agreed to transmit and receive ACH entries to and from EPN or have agreed to receive ACH entries from EPN; and
  - (iii) have agreed to pay all such fees, dues, operating charges, and assessments, if any, and have paid such application fee, if any, as shall have been prescribed by the Clearing House.
- (b) A prospective participant will be evaluated in accordance with procedures established by the Clearing House. Evaluation of a prospective participant may include consideration of its business practices or those of its customers. A prospective participant becomes a participant of EPN upon notification from the Chief Executive Officer of the Clearing House or his or her designee that its application to become a participant has been approved by the Clearing House.

## 3. Participant Categories

- (a) EPN shall have two categories of participants as follows:
  - (i) Full-Service Participant: a DFI that sends ACH entries directly to or receives ACH entries directly from EPN via a secured data transmission line.
  - (ii) Indirect Participant: a DFI that sends ACH entries to or receives ACH entries from EPN through a third-party service provider, which may include a correspondent DFI.
- (b) The term “participant” or “participating DFI,” as used herein, means a full-service participant or an indirect participant of EPN.
- (c) The Clearing House may categorize participants based upon the services they use for purposes of determining the fees to be charged and may offer services other than those directly related to the transmission and receipt of ACH entries to and from depository financial institutions and others that are not participants and that do not

send or receive ACH entries through EPN.

#### **4. Designation of Third-Party Service Provider**

A participant may designate a commercial data processing service organization, a person operating a data transmission facility, or another participant (each such person referred to as a “third-party service provider”) to act on its behalf as agent to transmit and receive transmissions of ACH entries through EPN. A participant making a designation pursuant to this section (i) must execute and deliver to the Clearing House an agreement in a form as approved by the Chief Executive Officer of the Clearing House or his or her designee, and (ii) shall be fully responsible for all obligations arising from the acts or omissions of its third-party service provider.

#### **5. Settlers**

- (a) Eligibility. Each settler must (i) maintain a reserve or clearing account with a Federal Reserve Bank and (ii) be accepted as a settler by FRBNY.
- (b) Authorized Representatives. Each settler shall furnish to the Clearing House the following information with respect to at least two persons who are authorized, alone or in combination, to take the actions necessary to complete settlement as described in the EPN Operating Rules: name, direct and after-hours telephone number at the settling participant's offices, and any other information as directed by the Chief Executive Officer of the Clearing House or his or her designee.
- (c) Settlement for Non-Settling Participants. Except as provided herein, a settler that agrees to settle intra-EPN entries for a non-settling participant must settle for such all entries originated or received by the non-settling participant, without limitation. A settler may cease settling for a non-settling participant by sending a written notice to that effect to The Clearing House. A notice under this section shall be effective at the beginning of the processing cycle on the business day following the date written notification is received by the Clearing House or such later date as the notice specifies, except that if the notice is received by the Clearing House after 12:00 noon\*, or if the later effective date specified in that notice is not a business day, then the effective date of the notice shall be the beginning of the processing cycle on the next business day following the date written notification is received. Notwithstanding the preceding sentences, a settler that sends a notice that it will cease acting as a settler must continue to settle for all entries that are originated or received by the non-settling participant during the period prior to the effective date of the notice but that have a settlement date after the effective date of the notice.

**\*All times specified in these rules are Eastern Time.**

- (d) Non-Settling Participant Agreement. A non-settling participant agrees that:
- (i) its settler may instruct The Clearing House to limit the aggregate dollar amount of the credit or debit entries the non-settling participant may originate each processing day, and
  - (ii) the failure of the non-settling participant's settler to settle for the non-settling participant's entries does not relieve the non-settling participant of its duty to settle.

## 6. Media Specifications

A participating DFI that transmits or receives ACH entries to and from EPN shall do so via a secured data transmission line or on or through any other media as may from time to time be approved by the Chief Executive Officer of the Clearing House or his or her designee.

## 7. Merger or Consolidation of Participating DFIs

In the event of the merger or consolidation of two or more participating DFIs, the surviving or resulting institution may continue to be a participating DFI of EPN without the payment of any additional dues or assessments occasioned by such merger or consolidation, provided that the surviving or resulting institution continues to meet the requirements of sections 1, 2, and 3 above.

## 8. Merger or Consolidation of a Participating DFI and a Nonparticipant

- (a) In the event of a merger or consolidation of one or more participating DFIs and one or more nonparticipants under circumstances where a participating DFI is to be the surviving or resulting institution, the latter may continue to be a participating DFI of EPN upon the payment of such additional dues and assessments, if any, as shall have been prescribed by the Clearing House as applicable to such mergers and consolidations, and provided that the surviving or resulting institution continues to meet the requirements of sections 1, 2, and 3 above.
- (b) In the event the merger or consolidation involving one or more participating DFIs and one or more nonparticipants under circumstances where a nonparticipant is to be the surviving or resulting institution, the latter may, if it desires to become a participating DFI of EPN and is eligible for such participation, take whatever action is necessary in respect thereto in accordance with the provisions of section 1, 2, and 3 above. The surviving or resulting institution may continue to send and receive ACH entries to and from EPN for a reasonable period of time as determined by the Chief Executive Officer of the Clearing House or his or her designee in his or her sole discretion while the surviving or resulting institution applies to become a

participating DFI; or, if the surviving or resulting institution determines not to become a participating DFI, for a reasonable period of time as determined by the Chief Executive Officer of the Clearing House or his or her designee while the surviving or resulting institution makes alternative arrangements for processing its ACH entries.

## 9. Resignation

Any participating DFI may resign from EPN upon not less than 30 days prior written notice to the Chief Executive Officer of the Clearing House. The notice shall designate the date the resignation is to become effective. Shorter notice of a resignation shall be effective if accepted by the Clearing House. In the event of any resignation, the Clearing House shall promptly notify each other participating DFI and FRBNY of the resignation and its effective date.

## 10. Liability

- (a) In carrying out its responsibilities as an ACH Operator The Clearing House shall only be liable to a participant for The Clearing House's failure to comply with the EPN Rules or its gross negligence or intentional misconduct. The Clearing House's liability in such instances shall be limited to actual damages attributable to its failure to comply with the EPN Rules, gross negligence, or intentional misconduct and shall not include consequential damages, even if such damages were foreseeable.
- (b) A participant's liability to The Clearing House is set forth in its Participant Agreement and Indemnity.

## 11. Termination or Suspension

- (a) Any participating DFI that suspends payments (as defined in § 4-104 of the New York Uniform Commercial Code) for any reason shall thereby cease to be a participating DFI of EPN.
- (b) The Chief Executive Officer of the Clearing House or his or her designee may terminate or suspend a participating DFI at any time if he or she determines, in his or her sole discretion, that its continued participation would not be in the best interests of EPN or the other participating DFIs. Such determination, by the way of example but not by way of limiting the discretion of the Chief Executive Officer or his or her designee, may be based on the following:
  - (i) repeated or willful violations of the provisions of the EPN Rules;

- (ii) failure to pay the Clearing House when due any fees, dues, operating charges, or assessments owing to the Clearing House;
- (iii) notice by a Federal Reserve Bank that it is terminating the participating DFI's participation in the settlement arrangement that the Clearing House has with the Federal Reserve Banks to settle balances resulting from the exchange of ACH entries through EPN;
- (iv) the occurrence of any act, event, or condition that leads the Chief Executive Officer or his or her designee to determine that a participating DFI is or is about to become insolvent or unable to meet its obligations under the EPN Rules or is being operated in an unsafe or unsound manner;
- (v) the commencement of any proceedings by or before any regulatory body to terminate a participating DFI's deposit insurance or cause it or any of its officers or directors to desist from any alleged unsafe or unsound practice; or
- (vi) the continued transmission of ACH entries that are related to the fraudulent or questionable business practices of its customer for more than 60 days after receipt of notice from the Clearing House of the fraudulent or questionable nature of the customer's transactions.

Any termination or suspension taken under this paragraph (b) will be effective from the time set by the Chief Executive Officer or his or her designee and continue unless or until it is countermanded by the board of directors of the Clearing House, or such committee of the Clearing House as may be designated by the board of directors.

- (c) In the event of a cessation, termination, or suspension of a participating DFI under the provisions of this section, the Clearing House will promptly notify the participating DFI, each other participating DFI, and FRBNY of the action and its effective date. In addition, the Clearing House will notify the participating DFI's primary federal regulator (or, where the participating DFI is not regulated by a federal financial institutions' regulatory agency, the participating DFI's primary state regulator) of the cessation, termination, or suspension and the reasons therefor.

## **12. Obligation of a Participating DFI on Resignation, Suspension or Other Termination of Participation**

A participating DFI that resigns from EPN or whose participation in EPN shall have otherwise been terminated or suspended for any reason shall be and remain liable to the Clearing House and the other participating DFIs for or on account of any obligations that have accrued or that have arisen or may arise out of any transaction that has taken place prior to the effective date of such resignation, termination, or suspension, including

without limitation, in the case of a participating DFI that was acting as an originating depository financial institution (as defined in the Operating Rules), any obligations to accept and settle for returned entries or adjustment memoranda relating to entries previously transmitted to EPN by such participating DFI.

**13. Nontransferability of Rights of Participation**

A participating DFI's rights of participation in EPN shall not be transferable or assignable, whether by sale, merger, consolidation, or otherwise, except as expressly provided herein. Notwithstanding the previous sentence, if a participating DFI is closed by order of its state or federal financial institution regulatory authority or a court of competent jurisdiction and some or all of its deposits are transferred to another depository institution that is not a participating DFI, the transferee depository institution may continue to send and receive ACH entries to and from EPN for a reasonable period of time as determined by the Chief Executive Officer of the Clearing House or his or her designee in his or her sole discretion while the transferee depository institution applies to become a participating DFI provided that the transferee depository institution has entered into an agreement with FRBNY to settle the balance submitted by the Clearing House to FRBNY in accordance with the applicable Reserve Bank Operating Circular with respect to the items of the closed participating DFI arising out of the operation of EPN.

**14. Binding Agreement; Assignment**

The EPN Rules shall inure to the benefit of the Clearing House and its successors and assigns and shall be binding on the participating DFIs and their respective successors and assigns, except that no participating DFI may transfer or assign its rights or obligations thereunder except as expressly provided herein. The Clearing House may assign its rights or its obligations under the EPN Rules and the Participant Agreement and Indemnity to any subsidiary or affiliate of the Clearing House and shall provide prompt notice of the assignment to each participating DFI and to FRBNY.



## APPENDIX A

## PARTICIPANT AGREEMENT AND INDEMNITY

In consideration (a) of the undersigned being admitted as a participating depository financial institution (“DFI”) of the Electronic Payments Network (“EPN”), (b) of The Clearing House Payments Company L.L.C. (“the Clearing House”) acting as a facility to operate an automated clearing house, (c) of the Federal Reserve Banks providing settlement and other services, and (d) of the mutual indemnification of the undersigned by each other participating DFI of EPN, the undersigned, which intends to act as a participating DFI of EPN, hereby agrees with the Clearing House, the Federal Reserve Banks, and with each other participating DFI:

- (1) to comply with and be subject to the Rules of Membership and the Operating Rules of the Electronic Payments Network, (collectively referred to as the “EPN Rules”) including descriptive requirements, as in effect from time to time;
- (2) to make all payments required by the EPN Rules;
- (3) to indemnify and hold harmless the Clearing House and each other participating DFI from any and all costs, charges, claims, demands, expenses (including costs of investigation and attorneys' fees and expenses of litigation), losses, liabilities, damages, judgments, fines, penalties, interest, and amounts paid in settlement (each referred to herein as a “cost”) arising from any failure on the part of the undersigned to exercise ordinary care or to comply with any of the provisions of the EPN Rules, except for amounts paid in settlement of such costs unless the undersigned shall have received 10 days' prior written notice of the proposed settlement thereof; and
- (4) to indemnify and hold harmless each Federal Reserve Bank as required by any applicable Federal Reserve Bank Operating Circular and, if the applicable Federal Reserve Bank Operating Circular provides that payment of a Federal Reserve Bank's claim for indemnity is to be provided by the settling participants and the undersigned is a settling participant at the time the Reserve Bank incurred the loss or expense, then the undersigned agrees to pay the Reserve Bank an amount that includes its own proportionate share as determined in accordance with the EPN Rules plus the proportionate share of each non-settling participant for which it settles; if the applicable Federal Reserve Bank Operating Circular provides that payment of a Reserve Bank's claim for indemnity is provided by the settling participants and the undersigned is a non-settling participant at the time the Reserve Bank incurred the loss or expense, the undersigned indemnifies and holds harmless its settler for any amount that the settling participant paid the Reserve Bank in respect of the undersigned and further agrees that the settler may recover the amount of such claim by debiting any account of the undersigned on its books.

This agreement shall be governed by and construed in accordance with the laws of the State of New York. The undersigned and the Clearing House submit to the exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan of the City of New York.

This agreement shall inure to the benefit of the Clearing House and its successors and shall be binding on the undersigned and its successors and assigns, except no Participating DFI may transfer or assign its rights or obligations hereunder except as expressly provided in the EPN Rules. The Clearing House may assign its rights or its obligations to any subsidiary or affiliate of the Clearing House and shall provide prompt notice of the assignment to each Participating DFI and to the Federal Reserve Bank of New York.

Date: \_\_\_\_\_

\_\_\_\_\_  
(Participating Financial Institution)

\_\_\_\_\_  
(Transit/Routing Number)

By: \_\_\_\_\_

(Signature)

Title: \_\_\_\_\_

Accepted this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

The Clearing House Payments Company L.L.C.

By: \_\_\_\_\_

Title: \_\_\_\_\_

## ELECTRONIC PAYMENTS NETWORK

**OPERATING RULES**

The Electronic Payments Network Operating Rules (“EPN Operating Rules”) include all the provisions of the Operating Rules of the National Automated Clearing House Association (“NACHA Rules”) except as modified herein. Modifications of the NACHA Rules are shown below as italicized additions to existing NACHA Rules, as rewritten provisions of the existing NACHA Rules, or as supplemental provisions, which are new sections added to the NACHA Rules. These modifications apply specifically to the Electronic Payments Network, its Participating Depository Financial Institutions, and the persons acting as Originators with respect thereto and are not necessarily applicable to other automated clearing houses, their Participating Depository Financial Institutions, or Originators with respect thereto.

**ARTICLE ONE—GENERAL RULES**

**The following supplemental provisions are added:**

**1.12      Amendment of EPN Rules**

An amendment of the NACHA Operating Rules shall become part of the EPN Operating Rules and shall become effective on the date provided for effectiveness in section 1.3.1 of the NACHA operating rules. In addition, the Clearing House may amend the EPN Operating Rules and EPN Rules of Membership.

**1.13      Cessation of Operations by the Clearing House**

If the Clearing House elects to cease acting as the ACH operator, it shall give notice to each Participating DFI of EPN and FRBNY at least 30 days in advance of the effective date of the cessation. The Clearing House shall make arrangements to transfer to a successor ACH operator, if any, documentation relating to continued operations of EPN or a successor automated clearing house, if any, on terms that are mutually satisfactory to the Clearing House and to the successor ACH operator. In the case of a transfer, references to the Clearing House shall be deemed reference to the successor ACH operator. The Clearing House may assign its rights or its obligations under these rules to any subsidiary or affiliate of the Clearing House and shall provide prompt notice of the assignment to each Participating DFI and FRBNY.

**ARTICLE TWO—RIGHTS AND RESPONSIBILITIES OF ODFIs, THEIR ORIGINATORS AND THIRD-PARTY SENDERS**

**The following supplemental provisions are added:**

**2.2A      Risk Control****2.2A.1      Right of ODFI to Limit Credit Originations of Third-Party Service Providers**

**2.2A.1.1 Limitations on Credit or Debit Originations** Each ODFI that sends entries to EPN through a commercial data processing service organization, a person operating a data transmission facility, or another Participating DFI (each such person hereinafter referred to as a “Third-Party Service Provider”) may instruct the Clearing House to establish, change, or remove a limit on the aggregate dollar amount of the credit or debit entries that the Third-Party Service Provider may send to EPN on the ODFI’s behalf for any one day on which such entries are to settle (such date hereinafter referred to as the “Effective Entry Date”). The Clearing House will honor such instructions if received in a manner, through specific media, within the time frames, in accordance with the procedures, and subject to such limitation as may from time to time be approved by the Chief Executive Officer of the Clearing House or his or her designee.

**2.2A.1.2 Indemnity and Agreement.** Each ODFI that establishes a credit or debit limit pursuant to subsection 2.2A.1.1 acknowledges that some credit or debit entries sent to EPN by the Third-Party Service Provider on the ODFI’s behalf may be delayed or not sent because of the limit, and by establishing credit or debit limits the ODFI agrees to indemnify and hold harmless the Clearing House and each other Participating DFI from and against any and all costs, charges, claims, demands, expenses (including costs of investigation and attorneys’ fees and expenses of litigation), losses, liabilities, damages, judgments, fines, penalties, interest, and amounts paid in settlement arising from the failure to process entries because of a credit or debit limit imposed on the Third-Party Service Provider.

**2.2A.2 Right of Settler to Limit Exposure**

**2.2A.2.1 Limitations on Credit or Debit Originations.** Each Settler may instruct the Clearing House to establish, change, or remove a limit on the aggregate dollar amount of the credit or debit entries that a Non-Settling Participant for which it settles may originate through EPN for any one Effective Entry Date. The Clearing House will honor such an instruction if received in a manner, through specific media, within the time frames, in accordance with the procedures, and subject to such limitations as may from time to time be approved by the Chief Executive Officer of the Clearing House or his or her designee.

**2.2A.2.2 Indemnity and Agreement.** Each Settler that establishes a credit or debit limit pursuant to subsection 2.2A.1.2 acknowledges that some credit or debit entries originated by the Non-Settling Participant so limited may be delayed or not sent because of the limit, and by establishing credit or debit limits the Settler agrees to indemnify and hold harmless the Clearing House and each Participating DFI from and against any and all costs, charges, claims, demands, expenses (including costs of investigation and attorneys’ fees and expenses of litigation), losses, liabilities, damages, judgments, fines, penalties, interest, and amounts paid in settlement arising from the failure to process entries because of a credit or debit limit imposed on a Non-Settling Participant.

**2.2A.3 Controls Established by the Clearing House.**

**2.2A.3.1 Real-Time Origination Controls.** The Clearing House may establish real-time controls on the gross amount of credit entries or debit entries that any ODFI may send to EPN for settlement on any Effective Entry Date.

**2.2A.3.2 Ex-Post Debit Cap.** The Clearing House may establish for each Participating DFI a debit cap, which is a limit on the net debit position that the Participating DFI is permitted to incur on EPN for any Effective Entry Date and which is set against the net of all debit and credit entries that the Participating DFI has sent or received both as an RDFI or as an ODFI. These caps shall be monitored by the Clearing House on an ex-post basis. Any Participating DFI with a high-risk rating that exceeds its debit cap frequently will be subject to suspension or termination under the provisions of section 10 of the EPN Rules of Membership.

**2.2A.3.3 Criteria for Establishing Limits.** The limits provided for in subsections 2.2A.3.1 and 2.2A.3.2 shall be set by the Clearing House as a percentage of capital based on ratings established by a nationally recognized bank rating agency selected by the Chief Executive Officer of the Clearing House or his or her designee. The percentages used as limits and the identity of the agency whose ratings are used shall be distributed to Participating DFIs from time to time. For purposes of this section, “capital” shall mean the total shareholders' or members' equity of the Participating DFI as reported by the selected rating agency.

**2.2A.3.4 Confidentiality.** Except as otherwise provided herein, the Clearing House will exercise its best efforts to maintain Net Debit Caps, Gross Debit Origination Caps, Gross Credit Origination Caps, risk rating information, and limits placed on a Non-Settling Participant by a Settler on a confidential basis. The Clearing House may provide such information to the Participant to which such information relates, to the Participant's Settler if requested by the Settler, to appropriate financial institution regulatory authorities, to appropriate Clearing House personnel, and otherwise as required by law. The Clearing House may notify a Participant's financial institution regulator any time the Participant exceeds its Net Debit Cap, Gross Debit Origination Cap, or Gross Credit Origination Cap if the Clearing House gives the Participant at least 10 days' advance notice of its intention to notify the Participant's primary federal financial institution regulator.

**The following section is rewritten:**

**2.7 Recall by ODFI or Originator.** Except as allowed by section 2.8 (Reversing Files) neither an Originator nor an ODFI has a right to reverse or recall a file sent to EPN as Originating ACH Operator once EPN has made any entries in the files available for distribution to the RDFIs. Except as allowed by sections 2.9 (Reversing Entries), and 2.10 (Reclamation Entries and Written Demands for Payment), and except as an entry that is part of a file permitted to be reversed or recalled by the prior sentence, neither an Originator nor an ODFI has a right to recall an entry, to require the return of or adjustment to an individual entry, or to stop the payment or posting of an individual entry, once the file containing the entry has been received by EPN as the

Originating ACH Operator.

### **ARTICLE THREE—RIGHTS AND RESPONSIBILITIES OF RDFIs AND THEIR RECEIVERS**

**The following supplemental provisions are added:**

#### **3.1.5A EPN Billing**

**3.1.5A.1** Each Participating DFI of EPN shall be billed for all fees, dues, operating charges, and assessments (including, without limitation, annual administration fees, processing fees, return item fees, Federal Reserve fees, and other fees) due EPN by means of a debit entry for the account of such Participating DFI originated by an Originating DFI on behalf of the Clearing House (“EPN debit entries”).

**3.1.5A.2** EPN debit entries will be originated on a monthly basis consistent with the Federal Reserve's billing schedule. Notwithstanding section 2.1 or any other section of these rules to the contrary, the Clearing House need not obtain executed authorizations from, nor furnish copies of authorizations to, any Participating DFI for EPN debit entries. Any section of these rules, including without limitation section 2.2.1.1, that requires or deems an Originating DFI to represent that a debit entry has been transmitted in accordance with an executed customer authorization shall, with respect to an EPN debit entry, be deemed to mean that such debit entry has been transmitted in accordance with the authorization provided by section 4.5A.

### **ARTICLE FOUR—RIGHTS AND RESPONSIBILITIES OF ACH OPERATORS**

**The following supplementary provisions are added:**

#### **4.9 Protection of Confidential Information; Customer Information Security**

##### **4.9.1 Protection of Confidential Information**

- (1) For purposes of this subsection 4.9.1, “Confidential Information” shall include any and all information disclosed by the Clearing House or by a Participating DFI under these Rules or under the EPN Rules of Membership that is not generally known; that relates to the business or operations of the Clearing House or the Participating DFI; or any material, information or service supplied by, or on behalf of, the Clearing House or the Participating DFI; and which is (i) marked “confidential” or “proprietary” at or before the time of disclosure thereof, if disclosed in tangible form, or (ii) if disclosed orally, designated confidential or proprietary at or before the time of disclosure thereof and is identified in reasonable detail and confirmed as such in a writing delivered to the receiving party within thirty days of the date of such oral disclosure. “Confidential Information” does not include any information

that the Clearing House or the Participating DFI establishes by written documentation or other tangible records:

- (a) was known prior to such disclosure to the receiving party free of any obligation to keep it confidential; or
- (b) is independently developed by the receiving party without reference to, use of or access to the Confidential Information of the disclosing party; or
- (c) is within the public domain at the time of disclosure or that subsequently enters the public domain; or
- (d) is lawfully received from a third party free to disclose such information to the receiving party; or
- (e) was released without restriction pursuant to the prior written approval of the party claiming it as Confidential Information under this subsection 4.9.1;

in each case through no breach by the receiving party of any duty to the disclosing party and through no violation by the receiving party of any applicable law.

- (2) All Confidential Information shall remain the property of the disclosing party. Except as otherwise provided in these EPN Operating Rules, the receiving party shall not disclose, nor shall it permit any others to disclose, to any third party, or otherwise use, or permit any others to use, any Confidential Information for any purpose other than the purpose for which the disclosure was made without the prior written consent of the disclosing party. The degree of care required of a receiving party regarding the prevention of disclosure of the Confidential Information shall be at least the degree of care the receiving party uses to protect its own similar Confidential Information and trade secrets, but in no event shall the receiving party exercise less than reasonable care.
- (3) The receiving party may disclose Confidential Information without prior notice to or consent of the disclosing party in response to (i) subpoenas, civil investigation demands, and similar investigative summonses compelling information about ACH transactions through EPN, and (ii) disclosures requested or required by a government agency with supervisory authority over the receiving party.

#### **4.9.2 Customer Information Security**

- 4.9.2.1** The Clearing House as ACH Operator shall take appropriate measures, as specified from time to time in Schedule 4.1, designed to meet the objectives of the *Interagency Guidelines Establishing Information Security Standards* issued by the Office of the

Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, and as amended from time to time. These will include appropriate measures designed to (i) ensure the security and confidentiality of any information of a customer of a Participating DFI obtained by EPN as a result of its processing any entry; (ii) protect against any anticipated threats or hazards to the security or integrity of such information; (iii) protect against unauthorized access to or use of such information that could result in substantial harm to any such customer; and (iv) ensure the proper disposal of such information.

- 4.9.2.2** The Clearing House as ACH Operator shall take appropriate measures, as specified from time to time in Schedule 4.1, designed to meet the objectives of the *Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice* issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, and as amended from time to time. These will include appropriate actions to address incidents of unauthorized access to a Participating DFI’s customer information, including notification to the DFI as soon as possible of any such incident, to enable the DFI to expeditiously implement its response program.

#### **4.10 Service Standards**

The Clearing House as ACH Operator will meet and maintain or exceed the service-level requirements and quality-management criteria set forth in Schedule 4.2. With respect to those ACH Operator services or portions of ACH Operator services that are not reflected in Schedule 4.2, the Clearing House shall observe the highest industry standard for ACH Operator services.

### **ARTICLE FIVE—RIGHTS AND RESPONSIBILITIES OF GATEWAYS FOR IAT ENTRIES**

**The following supplementary provision is added:**

#### **5.4 OFAC Screening**

- 5.4.1 OFAC Screening Service.** The Clearing House may offer to Participating DFIs of EPN and other DFIs services under which the Clearing House will (i) screen credit and debit entries and certain funds-transfer payment orders submitted to it by the DFI (“ODFI screening service”) or (ii) screen debit and credit entries that are being delivered to the DFI as RDFI by the Clearing House (“RDFI screening service”) to determine if an entry or payment order is subject to regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”). These services will be subject to the terms and conditions set out in subsections 5.4.1–5.4.4

- 5.4.2 Eligible Entries and Payment Orders.** The services will screen debit and credit entries identified by the standard entry class codes and the funds-transfer payment



orders specified in descriptions of the services published by the Clearing House from time to time on its web sites or in other media.

### **5.4.3 Enrollment Procedures.**

**5.4.3.1 ODFI Screening Service.** Participating DFIs of EPN and other DFIs may sign up for the ODFI screening service in accordance with procedures established from time to time by the Clearing House.

**5.4.3.2 RDFI Screening Service.** The Clearing House will automatically enroll all Participating DFIs of EPN in the RDFI screening service. Any EPN Participating DFI that does not wish to receive the service or that wishes to discontinue the service may opt out of it by providing 30 days' notice in accordance with procedures established from time to time by the Clearing House. Any other DFI may sign up for the RDFI screening service in accordance with procedures established from time to time by the Clearing House.

**5.4.4 Terms; Liability; Measure of Damages.** By signing up for the service, or by not exercising its right to opt out of the RDFI screening service after being automatically enrolled in that service, in accordance with the procedures established under subsection 5.4.3, each DFI agrees that (i) it will pay all fees set out in the fee schedule for the service published by the Clearing House from time to time; (ii) it understands that no screening protocol can be perfect and that, in consequence, the failure of the service to properly identify an entry or payment order as subject to OFAC regulations will not give rise to any liability on the part of the Clearing House unless the DFI establishes that the failure was the result of the Clearing House's own or its employees' gross negligence or willful misconduct and that the Clearing House will not be liable to any party other than the DFI for which the service was rendered; (iii) the amount of damages for negligence or willful misconduct under clause (ii) is the lesser of the actual damage caused by the gross negligence or willful misconduct (including any fine levied against the DFI by OFAC) or the amount of the fee total fees that the DFI paid to the Clearing House for the screening service for the 12 calendar months prior to the gross negligence or willful misconduct. In no event will the Clearing House be liable for special, incidental, indirect, or consequential damages of any kind even if the consequences were foreseeable at the time the negligence or misconduct took place.

## **ARTICLE SIX—RIGHTS AND RESPONSIBILITIES OF ASSOCIATIONS AND THE NATIONAL ASSOCIATION**

**The following supplemental provision is added:**

### **6.7 Provision of Information to the Federal Reserve and other Regulators**

(a) The Clearing House may provide the Board of Governors of the Federal Reserve System (the "Board") and FRBNY with the following information, on a daily basis, for each Participating DFI at the request of the Board or

FRBNY: (1) gross debits resulting from the origination of credit entries, (2) gross credits resulting from the receipt of credit entries, (3) gross credits resulting from the origination of debit entries, and (4) gross debits resulting from the receipt of debit entries. The Board and FRBNY may share this information with other financial institution regulatory authorities. In addition, the Clearing House may provide to the Board, FRBNY, or any other financial institution regulatory authority such other information with respect to ACH entries as it may request, from time to time.

- (b) The Clearing House may, at its own initiative, notify the Board, FRBNY, or a Participant's primary federal financial institution regulator any time that the Participant continues to transmit ACH entries that are related to the fraudulent or questionable business practices of its customer for more than 60 days after the Participant has been notified by the Clearing House of the fraudulent or questionable nature of the customer's transactions, if the Clearing House gives the Participant at least 10 days' advance notice of its intention to notify the Board, FRBNY, or a Participant's primary federal financial institution regulator.

## ARTICLE SEVEN—SETTLEMENT

The following italicized portions are added:

### 7.3 Settlement

An ACH Operator is responsible for effecting settlement among Participating DFIs for all entries Transmitted in accordance with these Rules *that have been processed by a Federal Reserve Bank* by crediting and debiting the Participating DFIs', or their designated correspondents', accounts with the Federal Reserve Banks. An ACH Operator must effect settlement of Entries in accordance with these Rules, applicable operating circulars of the Federal Reserve Banks, and any other applicable agreements. *Settlement among Participating DFIs for entries processed exclusively by EPN will be effected in accordance with section 7.9 (EPN Settlement).*

### 7.6 Effect of RDFI Closing on Settlement Date

If the scheduled settlement date of a debit Entry *that is processed by a Federal Reserve Bank* is not a banking day for the RDFI but is a day on which the applicable office of the Federal Reserve Bank described in section 7.1 (Maintenance of Reserve Bank Accounts) is open, settlement will occur on the scheduled Settlement Date, unless the RDFI has previously advised the Federal Reserve Bank that settlement for the entry should be deferred until the RDFI's next banking day. If the RDFI has provided such notice to the Federal Reserve Bank, settlement for the debit entry will occur on the RDFI's next banking day, and the RDFI shall pay the float charge assessed by the Federal Reserve Bank.

### 7.7 Effect of ODFI Closing on Settlement Date

If the scheduled Settlement Date for a credit Entry *that is processed by a Federal Reserve Bank* is not a Banking Day for an ODFI but is a day on which the applicable office of the Federal Reserve Bank described in section 7.1 (Maintenance of Reserve Bank Accounts) is open, settlement will occur on the scheduled Settlement Date.

**The following supplemental provisions are added:**

**7.9**      **EPN Settlement**

This Section 7.9 governs the settlement of Entries an EPN Participant sends to or receives from The Clearing House and which are processed exclusively by The Clearing House (“Intra-EPN Entries.”) Operating Circular 4 governs the settlement of other Entries which are processed both by The Clearing House and the Federal Reserve Banks.

Each EPN Participating DFI agrees to settle, in accordance with this section 7.9, Intra-EPN Entries. An EPN Participating DFI may settle for Intra-EPN Entries as a Settler or, as provided in the EPN Rules of Membership, may designate another DFI to serve as its Settler. However, designation of another EPN Participating DFI to serve as Settler does not relieve an EPN Participating DFI from its obligation to settle its Intra-EPN Entries in the event such Settler is a Defaulting Settler under this Section 7.9.

**7.9.1**      **Closing.** Each Business Day, the Clearing House shall prepare and send to each Settler by the times specified in this section for each Scheduled Settlement a Settlement Balance Report showing the Net Balance of the Settler for that settlement on that Settlement Date.

**7.9.2**      **Normal Settlement Processing.** For each settlement on a Settlement Date, the Clearing House will submit a Settlement File to the Processing Reserve Bank in accordance with the applicable Federal Reserve Bank Operating Circular. Upon acceptance of the Settlement File, the Processing Reserve Bank shall attempt to debit the designated Federal Reserve Account of each Debtor Settler for the full amount of its Aggregate Net Debit Balance. If an attempt to debit a Debtor Settler’s Account is successful, the Processing Reserve Bank shall immediately credit the same amount to the Settlement Account. Once the Settlement Account has been fully funded by the successful debiting of the Federal Reserve Accounts of all the Debtor Settlers and corresponding credits made to the Settlement Account, the Settlement Reserve Bank will debit the Settlement Account in the amount of each Aggregate Net Credit Balance and the Federal Reserve Account of each Creditor Settler will be immediately credited in the amount of its Aggregate Net Credit Balance. When the Federal Reserve Account of each of the Creditor Settler has been credited with its Aggregate Net Credit Balance, the Processing Reserve Bank will notify the Clearing House that the Settlement File has been fully processed. Settlement is complete when all Aggregate Net Credit Balances have been credited to the Federal Reserve Accounts of the corresponding Creditor Settlers.

**7.9.3**     **Normal Settlement Schedule.** Appendix 1-A contains a summary of events and the times at which they would typically occur pursuant to a normal settlement schedule.

**7.9.4**     **Delayed Settlement**

**7.9.4.1**    If a Settler notifies the Clearing House that its ability to settle its Aggregate Net Balance is delayed by a technical problem, or if settlement cannot take place in accordance with the normal settlement schedule because of a technical problem at the Clearing House, settlement shall take place in accordance with a delayed settlement schedule as set out in this section.

**7.9.4.2**    A Settler having a technical problem must notify the Clearing House as soon as possible of the nature of the problem, the Settler's efforts to correct it, and an estimate of the time by which the Settler expects the problem to be corrected. If the Clearing House believes that the problem causing the delay can be corrected in sufficient time to allow settlement to be completed before 6:00 P.M., the Clearing House shall establish a delayed settlement schedule for that day and send a notice of the delayed settlement schedule to each Settler. If any Scheduled Settlement is delayed, the Clearing House will not begin to process the subsequent Scheduled Settlement until the delayed Scheduled Settlement is completed.

**7.9.4.3**    If the Clearing House determines in its sole discretion that settlement under a normal or delayed settlement schedule will not be completed because of operational difficulties of one or more Settlers or for any other reason and that there is no possibility of completing the settlement during Fedwire operating hours, the Clearing House may in its sole discretion either recast settlement and follow the procedure for settlement recast set out in section 7.9.5.3 or hold the settlement over to the following Business Day and complete the pending settlement of the prior day before beginning to process any subsequent settlement cycle.

**7.9.5**     **Abnormal Settlement**

**7.9.5.1**    If at any time before settlement has been completed, the Clearing House is notified that a Debtor Settler has suspended payments (as defined in § 4-104 of the New York Uniform Commercial Code), or the Processing Reserve Bank has notified the Clearing House that a Debtor Settler has failed to settle its Aggregate Net Debit Balance for a given settlement (any such Settler referred to herein as a "Defaulting Settler" if the Settler is a Participating DFI of EPN that settles for itself, it shall also be referred to herein as a "Defaulting Participant"), settlement shall take place in accordance with an abnormal settlement schedule as set out in this section.

**7.9.5.2**    If any Defaulting Settler is a Settler that settles for one or more Non-Settling Participants, each Non-Settling Participant for which it settles shall be given one hour, or such longer time as determined by the Chief Executive Officer of the Clearing House or his or her designee, to arrange with another Settler to settle its Net Balance or to arrange with its Federal Reserve Bank to settle its own Net Balance. If the Non-Settling Participant is unable to arrange to settle its Net Balance, it will

become a Defaulting Participant, and its entries shall be deleted from the calculation of each other Participant's Net Balance in the manner described in subsection 7.9.5.3.

**7.9.5.3** The Clearing House shall recast the settlement balance report by deleting all of the entries of each of the Defaulting Participants from the calculation of the other Participants' Net Balances. This will cause the Net Balance of each Defaulting Participant to equal zero. The Clearing House shall notify each remaining Participant of its Net Balance on the revised Settlement Balance Report and shall notify each remaining Settler of its own Net Balance (if it is also a Participating DFI of EPN), the Net Balance of each of the remaining Non-Settling Participants for which it settles, and an aggregate balance showing the net of its own Net Balance and the Net Balances of all the remaining Non-Settling Participants for which it settles. Each remaining Settler shall settle its revised Aggregate Net Balance in accordance with an abnormal settlement schedule as established by the Clearing House. All ACH entries originated and received by each Defaulting Participant will be returned with the reason code of "Not Settled" in accordance with section 7.8.2.

**7.9.5.4** If, following the recast of a Scheduled Settlement, settlement is not completed in accordance with the abnormal settlement schedule established in accordance with subsection 7.9.5.3, the Clearing House may in its sole discretion (i) extend the time for settlement to be completed, (ii) recast settlement again, or (iii) declare that settlement cannot be completed. If settlement cannot be completed, pursuant to Subsection 7.8.2, The Clearing House will return all entries to the ODFIs that sent the entries.

## **7.10** Miscellaneous

**7.10.1** Notification of Errors. Each Settler must promptly review all Settlement Balance Reports received from the Clearing House and notify the Clearing House immediately of any discrepancies or errors. In addition, each Settler and Non-Settling Participant shall notify the Clearing House immediately if the Settler or Non-Settling Participant learns of or discovers, from any source other than a Settlement Balance Report, the possibility of any error or discrepancy with respect to EPN settlement.

**7.10.2** Reporting. Any report provided for in this article and any notice or request by the Clearing House may be sent through the EPN processing system or, if circumstances prevent the use of the EPN processing system, by e-mail, facsimile, telephone, or hand delivery. The Clearing House may record by audio recording device any telephone call relating to EPN.

**7.10.3** Records. Each Settler must maintain a record of all debits and credits to its Federal Reserve Account for EPN settlement for a period of six years from the Settlement Date.

**7.10.4** Extensions of Time. The Clearing House may in its sole discretion extend or modify any time limits contained in this article.

- 7.10.5**     **Clearing House Liability.** Notwithstanding any other provision of the Rules, the Clearing House shall have no liability whatsoever to any Participating DFI or any other person, organization, or entity for any costs, charges, claims, demands, expenses (including costs of investigation and attorneys' fees and expenses of litigation), losses, liabilities, damages, judgments, fines, penalties, interest, or amounts paid in settlement suffered by such Participating DFI, person, organization, or entity arising from the Clearing House's or any third party's acts or failures to act pursuant to or in compliance with this Article 7.
- 7.10.6**     **Federal Reserve Bank Liability.** No Federal Reserve Bank shall incur any liability either in connection with any failure to achieve settlement or in connection with any action or nonaction by the Clearing House, any Settler, any Non-Settling Participant, or any other person, except for a loss caused by the Federal Reserve Bank's own lack of good faith or failure to exercise ordinary care. A Federal Reserve Bank's liability for failure to exercise ordinary care or to act in good faith shall be limited to damages that are attributable directly and immediately to the failure and shall not include damages that are attributable to the consequences or results of the failure, even if such consequences or results were foreseeable.
- 7.10.7**     **Indemnification of Federal Reserve Banks**
- 7.10.7.1**    As a condition of providing settlement services performed for EPN, the Federal Reserve Banks have required each Settler to indemnify and hold harmless each Reserve Bank from any loss or expense (including attorneys' fees and expenses of litigation) it may incur in connection with the provision of services to EPN excluding only (i) any loss or expense to the extent the loss or expense resulted from a Reserve Bank's lack of good faith or failure to exercise ordinary care and (ii) a direct loss to a Reserve Bank holding a Settler's Federal Reserve Account resulting from an overdraft in that account caused by a final and irrevocable debit under the applicable Federal Reserve Bank Operating Circular. A claim for indemnity shall be made and paid in the manner set out in the applicable Reserve Bank Operating Circular.
- 7.10.7.2**    Each Participant's proportionate share of a claim for an indemnity made under subsection 7.10.7.1 shall equal the ratio of the EPN Usage of the Participant over the total EPN Usage of all Participants during the three months preceding the date on which a loss was incurred.
- 7.10.7.3**    If the applicable Reserve Bank Operating Circular provides that payment of a claim for an indemnity under this section shall be made by the Settlers, then each Settler shall pay the Reserve Bank making the claim an amount equal to its proportionate share as determined in subsection 7.10.7.2 plus the proportionate share of each Non-Settling Participant for which it settles. Each Non-Settling Participant shall indemnify and hold harmless its Settler for any amount its Settler pays a Reserve Bank in respect of the Non-Settling Participant under this subsection, and each Settler that has a claim against a Non-Settling Participant for which it settles under this subsection may recover the amount of this claim by debiting any account on its

books of the Non-Settling Participant.

## ARTICLE EIGHT—DEFINITIONS OF TERMS USED IN THESE RULES

The following italicized portion is added:

### 8.61 “Participating Depository Financial Institution,” or “Participating DFI”

a financial institution that (a) is authorized by applicable Legal Requirements to accept deposits, (b) has been assigned a Transit Routing Number by Accuity, and (c) has agreed to be bound by these Rules. A Participating DFI of an Association is a Participating DFI that is a member of such Association or authorized by such Association to Transmit Entries and receive Entries from an ACH Operator. *A Participating DFI of EPN is a Participating DFI as defined in section 3 of the EPN Rules of Membership.* Only Participating DFIs may act as ODFIs or RDFIs.

The following supplemental provisions are added:

### 8.17a “Clearing House”

means The Clearing House Payments Company L.L.C. or a successor ACH operator to which transfer has been made pursuant to section 13 of the EPN Rules of Membership.

### 8.21a “Creditor Settler”

means a Settler with an Aggregate Net Credit Balance for a Scheduled Settlement on a given Settlement Date.

### 8.23a “Debtor Settler”

means a Settler with an Aggregate Net Debit Balance for a Scheduled Settlement on a given Settlement Date.

### 8.23b “Defaulting Participant”

means a Participant with an Aggregate Net Debit Balance for a Scheduled Settlement on a given Settlement Day that has suspended payments as defined in N.Y. U.C.C. § 4-104 or that does not settle its Net Debit Balance for a given settlement by the applicable deadline on a given Settlement Date.

### 8.23c “Defaulting Settler”

means a Debtor Settler that has suspended payments as defined in N.Y. U.C.C. § 4-104 or that does not settle its Net Debit Balance for a given settlement by the applicable deadline on a given Settlement Date.

### 8.28a “Effective Entry Date”

means the date designated by the ODFI on which settlement is expected to occur.

### 8.33a “EPN”

means the Electronic Payments Network operated by and as a facility of the Clearing

House.

**8.33b** “EPN Usage of a Participating DFI”

means the total number of entries originated by the Participating DFI through EPN plus the total number of entries received by it through EPN. For purposes of this definition, entries originated or received by a Participating DFI or other Third-Party Service Provider on behalf of another Participating DFI shall be deemed to have been originated or received, as the case may be, by the other Participating DFI.

**8.37a** “Federal Reserve Account”

means an account of a Settling Participant with reserve or clearing balances on the books of a Federal Reserve Bank.

**8.37b** “First Same-Day Settlement” means the first settlement scheduled on a Settlement Date at which Same Day Entries are settled. For Entries to be eligible for the First Same-Day Settlement on a Settlement Date, the Clearing House must receive such Entries by the ODFI deadline specified in Appendix 1-A.

**8.41a** “FRBNY”

means the Federal Reserve Bank of New York.

**8.51a** “Net Balance”

means a Participant's overall settlement position in relation to all other Participants for a Scheduled Settlement on a given Settlement Date; that is, the sum of all credits from all debit entries originated by the Participant to other EPN Participating DFIs and all credit entries received from other EPN Participating DFIs applied to the sum of all debits from all credit entries originated by the Participant to other EPN Participating DFIs and all debit entries received by the Participant from other EPN Participating DFIs . A Participant's Net Balance does not include credit or debit amounts resulting from credit or debit entries processed by a Federal Reserve Bank. The Aggregate Net Balance of a Settler is the aggregate of its own Net Balance (if it is a Settler settling its own Net Balance) and the Net Balances of all Non-Settling Participants for which it has agreed to settle.

**8.51b** “Net Credit Balance”

means a Participant's Net Balance for a Scheduled Settlement on a given Settlement Date if the sum of its debit entries originated and credit entries received that are included in the calculation of the Net Balance exceeds the sum of its debit entries received and credit entries originated that are included in the calculation of the Net Balance. The Aggregate Net Credit Balance of a Settler is the aggregate of its own Net Balance (if it is a Settler settling its own Net Balance) and the Net Balances of all Non-Settling Participants for which it has agreed to settle if the sum of the Settler's and its Non-Settling Participants' debit entries originated and credit entries received that are included in the calculation of the Net Balance exceeds the sum of the Settler's and its Non-Settling Participants' debit entries received and credit entries originated that are included in the calculation of the Net Balance.



- 8.51c** “**Net Debit Balance**”  
means a Participant's Net Balance for a Scheduled Settlement on a given Settlement Date if the sum of its debit entries received and credit entries originated that are included in the calculation of the Net Balance exceeds the sum of its debit entries originated and credit entries received that are included in the calculation of the Net Balance. The Aggregate Net Debit Balance of a Settler is the aggregate of its own Net Balance (if it is a Settler settling its own Net Balance) and the Net Balances of all Non-Settling Participants for which it has agreed to settle if the sum of the Settler's and its Non-Settling Participants' debit entries received and credit entries originated that are included in the calculation of the Net Balance exceeds the sum of the Settler's and its Non-Settling Participants' debit entries originated and credit entries received that are included in the calculation of the Net Balance.
- 8.51d** “**Net Debit Cap**”  
means a dollar limit assigned by EPN equal to the maximum allowable amount of the total Net Debit Balance of a Participant for settlement on a given Effective Entry Date.
- 8.53a** “**Non-Settling Participant**”  
means a Participating DFI that has designated a Settler to settle all entries sent to or received by the Non-Settling Participant.
- 8.66a** “**Primary Settlement**”  
means the first settlement scheduled to take place on a Settlement Date at which Entries that are not Same Day Entries are settled.
- 8.66b** “**Processing Day**”  
means a Business Day upon which EPN processes entries. An entry's Processing Day is the Business Day on which the entry is processed by EPN.
- 8.66c** “**Processing Reserve Bank**”  
means the Federal Reserve Bank responsible for accepting the Settlement File from the Clearing House and processing it in accordance with the applicable Federal Reserve Bank Operating Circular.
- 8.66d** “**Recast**”  
means the process employed by the Clearing House to reduce the Net Debit Balance of a Defaulting Participant to zero on a given Settlement Day by deleting all of the entries of the Defaulting Participant and recalculating the Net Balances of the remaining Participants without the Defaulting Participant's entries.
- 8.81a** “**Scheduled Settlement**” means, as applicable, the Primary Settlement, First-Same Day Settlement or Second Same-Day Settlement scheduled on a Settlement Date at which Entries are settled.
- 8.81b** “**Second Same-Day Settlement**” means the second settlement scheduled on a Settlement Date at which Same Day Entries are settled. For Entries to be eligible for the Second Same-Day Settlement on a Settlement Date, the Clearing House must

receive such Entries by the ODFI deadline specified in Appendix 1-A.

**8.82a “Settlement Account”**

means the account at the Settlement Reserve Bank that is used during settlement processing to hold funds temporarily until the settlement process is completed.

**8.82b “Settlement Balance Report”**

means a report sent by the Clearing House to a Participating DFI that shows the Participant’s Net Balance. The Settlement Balance Report sent to a Settler shows the Settler’s own Net Balance (if it is a Settler settling its own Net Balance), the Net Balance of each Non- Participant for which it settles, and an Aggregate Net Balance that shows the sum of its own Net Balance plus the Net Balances of the Non-Settling Participants for which it settles.

**8.83a “Settlement File”**

means the instructions submitted by the Clearing House showing the Aggregate Net Balances of the Settlers.

**8.83b “Settlement Reserve Bank”**

means the Federal Reserve Bank of New York or another Federal Reserve Bank selected by the Federal Reserve Banks on whose books the Settlement Account is maintained.

**8.83c “Settler”**

means an entity that has established an account at a Federal Reserve Bank and that settles its own Net Balance, the Net Balance of one or more other EPN Participating DFIs, or both.

**SCHEDULE 4.1****INFORMATION-SECURITY STANDARDS AND REQUIREMENTS**

The Clearing House as ACH Operator shall take the following measures designed to (i) ensure the security and confidentiality of any information of a customer of a Participating DFI obtained by EPN as a result of its processing any entry (“customer information”); (ii) protect against any anticipated threats or hazards to the security or integrity of customer information, (iii) protect against unauthorized access or use of customer information that could result in substantial harm to a DFI’s customer, and (iv) ensure the proper disposal of such information, and to address incidents of unauthorized access to the Participating DFI’s customer information, including notification to the Participating DFI as soon as possible of any such incident, to enable the Participating DFI to expeditiously implement its response program:

**1. INFORMATION-SECURITY PROGRAM**

(a) The Clearing House shall adopt a written information-security program that will, at a minimum contain the following elements:

(1) Physical access to computer equipment, storage media (including electrical, optical, and physical media), and other aspects of the system that would permit access to customer information shall be restricted to properly authorized individuals, 24 hours per day, 7 days per week.

(2) Logical access to programs, data, or any other aspect of the system that would permit access to customer information shall be limited to authorized individuals.

(b) The information-security program shall describe the following features as applicable:

(1) the detail of the system architecture of all environments, including, as applicable, the logical topology of routers, switches, Internet firewalls, management or monitoring firewalls, servers (web, application, and database), intrusion detection systems, network and platform redundancy;

(2) the specifications of the firewalls in use;

(3) the intrusion-detection system environment and the security breach and event escalation process;

(4) the change-management process for automated systems used to provide services;

(5) the business and technical disaster recovery management process;

(6) the management and staff positions that perform administrative functions on servers, firewalls, or other devices within the application and network infrastructure;

(7) each logon process to be followed by Participating DFIs to obtain access to services;

(8) policies, procedures, and controls used to protect customer information when it is in printed or other perceptible forms;

(9) operating system security controls and configurations;

(10) technology and usage of encryption for protecting customer

information, including passwords and authentication information, during transit and in all forms and locations;

(11) services, tools and connectivity required to manage the application and network environment;

(12) arrangements for physical security;

(13) privacy and security policies;

(14) location of servers; and

(15) security of customer information held at EPN's service providers, to the extent such service providers have access to customer information.

(c) The information-security program will be available for inspection by a Participating DFI at an EPN facility upon appointment during normal business hours.

(d) The Clearing House shall provide for regular audits of the controls related to the information-security program by independent auditors (*e.g.*, SOC-1 audits). A copy of the audit report shall provided to each Participating DFI upon request.

(e) The Clearing House shall permit inspection by appropriate federal and state bank supervisory agencies.

(f) The Clearing House shall review the effectiveness of its information-security program and report its findings to its board of directors at least annually. Such review may be based upon and made in conjunction with the reports of independent auditors or bank supervisors as provided in paragraphs 4 and 5 of this section.

## **2. DETECTION OF SECURITY BREACHES.**

(a) The Clearing House shall monitor its system and its procedures for security breaches, violations, and suspicious activity, including suspicious external activity (including unauthorized probes, scans, or break-in attempts) and suspicious internal activity (including unauthorized system administrator access, unauthorized changes to its system or network, system or network misuse, or theft or mishandling of customer information).

(b) The Clearing House shall permit a Participating DFI to inspect its physical system equipment, operational environment, and customer information handling procedures with prior notice and at mutually agreeable times.

(c) The Clearing House shall notify a Participating DFI in the event of a breach of security or the detection of suspicious activity that affects the Participating DFI and shall cooperate with the DFI's security investigation activities.

(d) The Clearing House shall monitor industry-standard information channels for newly identified system vulnerabilities regarding the technologies and services (including application software, databases, servers, firewalls, routers and switches, hubs, etc.) and fix or patch any identified security problem as soon as commercially reasonable.

**3. CONTINGENCY PLANS.**

(a) The Clearing House shall maintain appropriate plans to assure its continued operation. These plans shall include the following: recovery strategy, documented recovery plans covering all areas of operations necessary to delivering services as required by the EPN Operating Rules, vital records protection, and testing plans. The plans shall provide for off-site backup of critical data files, customer information, software, documentation, forms and supplies, and alternative means of transmitting and processing entries. The recovery strategy shall provide for recovery after both short- and long- term disruptions in facilities, environmental support, and data processing equipment. The Clearing House shall continue to provide service to a Participating DFI if the DFI activates its contingency plan or moves to an interim site to conduct its business, including during tests of the DFI's contingency operations plans.

(b) The Clearing House's contingency plans shall provide the ability to bring its operations up to full capacity at its back-up site within 60 minutes of a declared disaster.

(c) The Clearing House shall provide to a Participating DFI upon request copies of all contingency exercise final reports. If requested, the Clearing House shall allow a Participating DFI, at its own expense, to observe a contingency test.

(d) The Clearing House shall participate in a Participating DFI's data center's exercise to validate recovery connectivity, if requested and upon reimbursement of any expenses incurred by the Clearing House.

**4. RECORD RETENTION.**

The Clearing House shall maintain system records and logs for a reasonable time or as required by section 4.5 of the EPN Operating Rules or a successor provision. A Participating DFI may review and inspect any record of system activity, including entries and customer information with prior notice and at a time mutually convenient.

**SCHEDULE 4.2****SERVICE-LEVEL REQUIREMENTS AND  
QUALITY-MANAGEMENT CRITERIA**

The Clearing House as ACH Operator shall meet or exceed the following service-level requirements and quality-management criteria:

**1. EPN OPERATIONAL PERFORMANCE.**

(a) The main processing platform for EPN will be available at a monthly level of 99.9% during EPN's published operating hours. The Clearing House will notify the Participating DFIs of any changes to the operating hours at least 30 days before the change becomes effective.

(b) The Clearing House will ensure that the availability of ACH output files will be at an annual rate of no less than 99.5% in accordance with EPN's published file output schedule. The performance calculation is based on the number of missed deliveries divided by the total number of deliveries in any given month.

(c) The Clearing House will deliver EPN's files to the Federal Reserve Banks' ACH processing center within the deadlines established by the Reserve Bank (including any extensions) 100% of the time.

(d) In an emergency, if it becomes necessary to relocate EPN's processing operations to a contingency center, the transfer will take place in less than 60 minutes.

(e) Local ACH item investigations will be completed in four hours or less with 90% completed in 90 minutes or less.

(f) The Clearing House will update the database used to provide the OFAC screening service under section 5.4 of the EPN Operating Rules within 24 hours of being notified by our list provider of a change to the list of specially designated nationals published by the U.S. Treasury Department's Office of Foreign Assets Control.

**2. CUSTOMER SERVICE SATISFACTION.**

(a) Once in each calendar year, the Clearing House will conduct a customer satisfaction survey of EPN's Participating DFIs to evaluate overall customer-service levels. Ratings will be obtained for overall quality of service, telecommunications support, data control, marketing, investigations, and training.

(b) The Clearing House holds itself to a performance expectation that it achieve an average rating of "9" or better for all areas. The rating is based on a scale of "1" to "10" with "10" being the highest rating. If the Clearing House fails to achieve an

average rating of 9 or better, it will use best efforts to bring its rating up to the minimum level within one year.

(c) The Clearing House will contact each Participating DFI that submits a rating of 8 or below to determine the cause for that rating.

### **3. RESULTS OF OUTSIDE AUDITS.**

The Clearing House must receive from its external auditors an unqualified SOC-1 audit report for the EPN service. A copy of that report shall be provided to any Participating DFI of EPN upon its request.

### **4. PRIMARY AND SECONDARY SUPPORT.**

(a) The Clearing House operations support services are available to Participating DFIs 24 hours a day, 7 days a week.

(b) Application and systems support shall be available on-site Monday through Friday from 8 A.M. Eastern Time until 5 P.M. Eastern Time. During all other times, third-level support will respond within 2 hours from the time the Clearing House is notified of a problem.

(c) If a Participating DFI specifically requests such notification in writing (a "Requesting DFI"), the Clearing House will use its best efforts to notify the Participating DFI of any interruption in EPN's service to perform emergency maintenance no less than 30 minutes before the interruption. If the interruption will begin within 15 minutes of a day's input deadline as set forth in EPN's time schedule, the Clearing House will use its best efforts to notify each Requesting DFI immediately.

**APPENDIX ONE - ACH FILE EXCHANGE SPECIFICATIONS**

**The following part is rewritten:**

**PART 1.2 Data Specifications for ACH Records**

ACH Label Structure

The EPN data set label configuration is as follows:

VOL1--Beginning of Volume  
HDR1ACHTAP--Beginning of File  
EOF1--End of File



**APPENDIX 1-A - EPN TRANSMISSION DEADLINES AND TYPICAL SETTLEMENT SCHEDULE**

All times are Eastern Time

<b>Event</b>	<b>Primary Settlement</b>	<b>First Same-Day Settlement</b>	<b>Second Same-Day Settlement</b>
ODFI Deadline / End of Processing Cycle	4:00am	10:30am	2:45pm
TCH sends Settlement Balance Report to each Settler	4:00am	12:00pm	4:00pm
Time by which each Debtor Settler is expected to ensure that it either has funds in its Federal Reserve Account or has access to the Federal Reserve overdraft facility.	8:15am	12:45pm	4:45pm
TCH sends Settlement File to the Processing Reserve Bank.	8:30am	1:00pm	5:00pm
The Processing Reserve Bank debits the amount of the Aggregate Net Debit Balances for the Primary Settlement from the Federal Reserve Account of each Debtor Settler and credits the Settlement Account. Once the Settlement Account is fully funded, the Settlement Reserve Bank debits the Settlement Account in the amount of the Aggregate Net Credit Balances for the Primary Settlement of each Creditor Settler and credits the corresponding amount to the Federal Reserve Account of each Creditor Settler.	8:30am	1:00pm	5:00pm
Once all Aggregate Net Credit Balances have been credited to the Creditor Settler and the Processing Reserve Bank sends notice to TCH, as described in section 7.9.2, TCH notifies all Participating DFIs and Settlers that the Primary Settlement is complete and final.	8:31am	1:01pm	5:01pm

**APPENDIX 1-B**

**ELECTRONIC PAYMENTS NETWORK  
RULES GOVERNING THE UNIVERSAL  
PAYMENT IDENTIFICATION CODE (“UPIC”)**

**RULE 1. DEFINITIONS.**

- (a) For purposes of these rules:
- (1) “ACH Format” means the format specified by the ACH Record Format Specifications set out in Appendix Two of the NACHA Rules.
  - (2) “Clearing House” means The Clearing House Payments Company L.L.C.
  - (3) “Derivative Work” means a work based upon Promotional Material.
  - (4) “Electronic agent” means a computer program, or electronic or other automated means, used independently to initiate an action, or to respond to electronic messages or performances, on a person’s behalf without review or action by an individual at the time of the action or response to the message or performance.
  - (5) “EPN” means the Electronic Payments Network operated by and as a facility of the Clearing House.
  - (6) “EPN Operating Rules” means the rules adopted by the Clearing House to govern entries transmitted through EPN and includes the NACHA Rules as modified by the EPN Operating Rules.
  - (7) “Federal Reserve Bank” means one of the 12 Federal Reserve Banks acting as an ACH Operator.
  - (8) “FRBNY” means the Federal Reserve Bank of New York.
  - (9) “NACHA Rules” mean the rules adopted by the National Automated Clearing House Association to apply to all entries transmitted through one or more ACH Operators.
  - (10) “Promotional Material” means pamphlets, brochures, PowerPoint presentations, or other marketing collateral produced by the Clearing House to aid UPIC Participants in marketing UPICs to their customers.
  - (11) “U.C.C.” means the New York Uniform Commercial Code.
  - (12) “UPIC” or “Universal Payment Identification Code” means a unique number that identifies both an eligible account at a UPIC Participant and the UPIC Participant that holds the eligible account. UPIC® is also the registered service mark of the Clearing House.
  - (13) “UPIC Entry” means

- (i) a credit entry that, when transmitted by an Originator, an ODFI, or an ACH Operator other than EPN, identifies the credit entry as a UPIC Entry by use of the URT in the Receiving DFI identification field and that, when transmitted by EPN to an RDFI, is identified as a UPIC Entry by use of a code in the company discretionary data field of the company/batch header record of the ACH Format (a “UPIC Credit Entry”); or
- (ii) a return entry (“UPIC Return Entry”) or a reversing entry (“UPIC Reversing Entry”) related to a UPIC Credit Entry.

(14) “UPIC Participant” means a Participating DFI of EPN that has satisfied the requirements of Rule 4.

(15) “URT” means the unique routing number (0210 5205 3) assigned to EPN as agent for the UPIC Participants and that identifies an entry as a UPIC Entry.

(16) “Usage Guidelines” means the Universal Payments Identification Code Usage Guidelines as revised from time to time by the Clearing House and distributed to UPIC Participants.

(b) Other definitions applying to these rules and the rule in which they appear are:

- (1) “Eligible account”: Rule 5(a).
- (2) “Joint UPIC Account”: Rule 10(a).
- (3) “Joint UPIC Account Agreement”: Rule 10(a).
- (4) “Permitted Use”; Rule 14(a)
- (5) “Requesting Participant”: Rule 6(a).
- (6) “UPIC Database”: Rule 7(a).
- (7) “UPIC Holder Participant”: Rule 6(a).

(c) The following definitions in the NACHA Rules apply to these rules:

- (1) “ACH Operator”: Section 8.8.
- (2) “Credit entry”: Section 8.33(a).
- (3) “Entry”: Section 8.33.
- (4) “ODFI”: Section 8.57.

- (5) “Participating DFI”: Section 8.61.
- (6) “RDFI”: Section 8.70.
- (7) “Receiver”: Section 8.68.
- (8) “Receiving Point”: Section 8.71.

**RULE 2. SCOPE.**

(a) The issuance, transfer, use, and cancellation of UPICs by the Clearing House are governed by these rules.

(b) The processing and settlement of UPIC Entries are governed by these rules, the EPN Operating Rules, the applicable rules of any other ACH Operator that processes a UPIC Entry (including the applicable operating circular of a Federal Reserve Bank), the NACHA Rules as amended by the EPN Operating Rules or the applicable rules of another ACH Operator, and, when applicable, Article 4A of the U.C.C. In the case of conflict among the applicable rules and the Joint UPIC Agreement or an applicable Federal Reserve Bank operating circular, the Joint UPIC Account Agreement or operating circular governs. In the case of any other conflict, these rules shall govern, except that the rights and obligations of an ACH Operator other than EPN arising solely out of its processing and settlement of a UPIC Entry shall be governed by that ACH Operator’s rules.

(c) The Clearing House may perform its responsibilities under these rules by use of an electronic agent. Any action performed by an electronic agent shall be deemed to be the action of the Clearing House, and the Clearing House shall be bound by the operation of the electronic agent even if no individual was aware of or reviewed the agent’s operations or the results of the operations.

(d) These rules are funds-transfer system rules for purposes of U.C.C. § 4A-501 and bind each Originator, ODFI, ACH Operator, RDFI, and Receiver, except as provided in these rules or as otherwise specifically provided by law or contract.

**RULE 3. UPICS AND UPIC PARTICIPANTS.**

(a) A UPIC Entry is an entry for purposes of the NACHA Rules and an entry or an item for purposes of the applicable rules of an ACH Operator. If neither the Originator nor the Receiver is a consumer, a UPIC Entry is a “payment order” for purposes of U.C.C. § 4A-103(1)(a).

(b) A UPIC identifies the owner of the eligible account designated by the UPIC as the Receiver for purposes of the NACHA Rules and the applicable rules of an ACH Operator and, if Article 4A of the U.C.C. is applicable, as the beneficiary for purposes of U.C.C. § 4A-207(1).

(c) A UPIC identifies the UPIC Participant holding the eligible account

designated by the UPIC as the RDFI for purposes of the NACHA Rules and the applicable rules of an ACH Operator and, if Article 4A of the U.C.C. is applicable, as the beneficiary's bank for purposes of U.C.C. § 4A-208(1).

**RULE 4. UPIC PARTICIPANT REQUIREMENTS.**

- (a) Any Participating DFI of EPN may apply to become a UPIC Participant.
- (b) A prospective UPIC Participant must:
  - (1) submit an executed agreement in the form of Appendix A to the Clearing House,
  - (2) submit an executed agreement in the form required by the UPIC Joint Account Agreement to FRBNY and forward a copy to the Clearing House, and
  - (3) register as a UPIC Participant in accordance with procedures established by the Clearing House.
- (c) A prospective UPIC Participant will be evaluated in accordance with procedures established by the Clearing House. If a prospective UPIC Participant is accepted, the Clearing House will notify the participant and FRBNY. A prospective UPIC Participant becomes a UPIC Participant upon notification from the Clearing House that it has been registered as a UPIC Participant. If a prospective UPIC Participant is not accepted as a UPIC Participant, the Clearing House will notify the prospective UPIC Participant and FRBNY. Notice to a prospective UPIC Participant and FRBNY shall be in accordance with procedures established by the Clearing House.

**RULE 5. OBTAINING A UPIC.**

- (a) A UPIC Participant may apply for a UPIC for an eligible account through procedures established by the Clearing House. An eligible account is
  - (1) for purposes of a Clearing House pilot of a system to facilitate consumer account-to-account transfers, any demand deposit account or other transaction account; or
  - (2) for all other purposes, a demand deposit account or other transaction account of a corporation, partnership, limited liability company, or unincorporated association; the United States or an agency of the United States; a state or local government or an agency of a state or local government; or one or more individuals when the account is used primarily for business purposes.

Except as provided for in Rule 5(a)(1), an account of one or more individuals used primarily for personal or household purposes is not an eligible account.

(b) A UPIC Participant that applies for a UPIC makes the following representations and warranties to the Clearing House:

(1) the account for which the application is made is an eligible account under Rule 5(a);

(2) the account is an account of a current customer of the UPIC Participant;

(3) the account number that will be associated with the UPIC identifies an account of the customer specified in the application;

(4) the customer name that the UPIC Participant specifies in the application is the name associated with that account in the UPIC Participant's records; and

(5) the UPIC Participant will notify the Clearing House promptly if, in the future, there are any changes to the information warranted under paragraphs (1) through (4) of this Rule 5(b).

(c) The Clearing House will assign a UPIC to a UPIC Participant for an eligible account if a UPIC has not previously been identified with that account and if the Clearing House determines that the application otherwise meets the requirements of these rules.

(d) The Clearing House may cancel a UPIC at the request of the UPIC Participant that is identified by the UPIC or if, in its sole judgment, the Clearing House determines that the account that is identified by the UPIC is not an eligible account or that the UPIC Participant identified by the UPIC has breached any warranty made under these rules.

(e) If a UPIC is canceled, the UPIC Participant that was last associated with the UPIC shall inform the customer whose account was associated with the UPIC that it is no longer permitted to use the UPIC.

(f) The Clearing House shall not assign a canceled UPIC to identify another account other than an account of the customer whose account the UPIC previously identified.

(g) Each UPIC Participant authorizes the Clearing House to disclose to a Federal Reserve Bank any information related to a UPIC, including the identity of the UPIC Participant associated with the UPIC, and the name and account number of the UPIC Participant's customer associated with the UPIC.

**RULE 6. TRANSFERRING A UPIC.**

(a) A UPIC Participant (“Requesting Participant”) that holds an eligible account for a customer that has an account identified by a UPIC at another UPIC Participant (“UPIC Holder Participant”) may, at the customer’s instruction, request the Clearing House to transfer the UPIC so that the UPIC identifies the eligible account of that customer at the Requesting Participant. A request under this rule shall be made in accordance with procedures established by the Clearing House.

(b) In making a transfer request, the Requesting Participant makes the following representations and warranties to the Clearing House and the UPIC Holder Participant:

- (1) the customer has instructed the Requesting Participant to request the transfer;
- (2) the customer is the same customer whose account at the UPIC Holder Participant is currently associated with the UPIC; and
- (3) the customer has an eligible account at the Requesting Participant and that account is identified by the account number that accompanies the transfer request.

In addition, the Requesting Participant represents and warrants to the Clearing House all of the representations and warranties that a Participating DFI makes pursuant to Rule 5(b) when it applies for a UPIC and that the customer has authorized the Clearing House to notify the UPIC Holder Participant that the customer has authorized the Requesting Participant to request the transfer.

(c) A UPIC Holder Participant may contest the transfer of a UPIC in accordance with procedures established by the Clearing House.

(d) If the UPIC Holder Participant does not contest the transfer of the UPIC to the Requesting Participant, the UPIC will be transferred in accordance with the request and the schedules and procedures established by the Clearing House. If the UPIC Holder Participant does contest the transfer, the contest shall be resolved in accordance with procedures established by the Clearing House. The decision of the Clearing House with respect to a contested transfer request shall be final.

**RULE 7. UPIC DATABASE.**

(a) The Clearing House shall maintain an electronic database (“UPIC Database”) containing all UPICs and containing information regarding each UPIC, including:

- (1) the eligible account that is identified by the UPIC, including the account number and the name, address, and taxpayer identification number of the



account holder;

- (2) the UPIC Participant that is identified by the UPIC; and
- (3) a record of all changes to the information regarding the UPIC.

(b) Each UPIC Participant shall have access to information on the UPIC Database relating to itself and the UPICs that identify eligible accounts on its books.

(c) Each UPIC Participant is solely responsible for the accuracy of the information regarding itself and the UPICs that identify it in the UPIC Database and must report any changes to any such information to the Clearing House as soon as the change becomes effective. Reports of changes must be made in accordance with the procedures established by the Clearing House.

#### **RULE 8. PROCESSING UPIC CREDIT ENTRIES.**

(a) By obtaining a UPIC, a UPIC Participant:

(1) authorizes any Participating DFI as ODFI to send to the UPIC Participant as RDFI a credit entry that:

(i) identifies both the UPIC Participant as the RDFI and a customer of the UPIC Participant as the Receiver by use of a UPIC in the DFI account number field of the UPIC Credit Entry, and

(ii) identifies the credit entry as a UPIC Credit Entry by use of the URT in the Receiving DFI field of the credit entry;

(2) authorizes each ACH Operator other than EPN to send a UPIC Credit Entry to EPN (as the RDFI's Receiving Point) either directly or through another ACH Operator based on the URT that appears in the Receiving DFI field of the UPIC Entry;

(3) authorizes the Clearing House, as agent of the UPIC Participant, to translate the UPIC into the Receiver's account number and the RDFI's routing number, substitute these data for the UPIC and the URT, add a code in the company discretionary data field of the company/batch header record of the ACH Format, and transmit the UPIC Credit Entry to the RDFI or the RDFI's Receiving Point;

(4) agrees that an ODFI or ACH Operator other than EPN that sends a UPIC Credit Entry to EPN either directly or through another ACH Operator based on the URT has properly transmitted the credit entry to the RDFI's Receiving Point for purposes of the NACHA Rules and the rules of the applicable ACH Operator and, if applicable, has properly transmitted the payment order under U.C.C. § 4A-302; and

(5) agrees that, if applicable, an ODFI that sends a UPIC Credit Entry to EPN directly or through another ACH Operator based on the URT and conforming to the UPIC Credit Entry sent to the ODFI has properly executed its sender's payment order under U.C.C. § 4A-302.

(b) A UPIC Participant may originate a UPIC Entry in which the UPIC Participant is both the ODFI and the RDFI.

(c) Upon receipt of a UPIC Credit Entry from an ODFI or an ACH Operator, EPN, acting as agent of the UPIC Participant identified by the UPIC, shall translate the UPIC into the Receiver's account number and the RDFI's routing number, substituting these data for the UPIC and the URT, add a code in the company discretionary data field of the company/batch header record of the ACH Format, and shall send the UPIC Credit Entry to the UPIC Participant (or the UPIC Participant's Receiving Point).

(d) A UPIC Participant is obligated to accept a UPIC Credit Entry in accordance with section 3.1.1 of the NACHA Rules and to make the amount of the credit entry available to the Receiver for withdrawal in accordance with section 3.3 of the NACHA Rules.

#### **RULE 9. REVERSALS AND RETURNS.**

(a) Upon the receipt of a reversing file that reverses a file containing a UPIC Credit Entry or a reversing entry that reverses a UPIC Credit Entry, EPN shall translate the entry data related to the UPIC Credit Entry and transmit the UPIC Reversing Entry to the RDFI in the same manner as provided in Rule 8 for the transmission of a UPIC Credit Entry.

(b) In addition to returns made for the reasons specified in the NACHA Rules or the EPN Operating Rules, EPN shall return a UPIC Credit Entry to the ODFI or ACH Operator from which it was received if the UPIC has been canceled or is otherwise invalid or if the entry is a debit entry (other than a reversing entry).

(c) An RDFI that returns a UPIC Credit Entry:

(1) authorizes EPN to

(i) issue a return entry that replaces the Receiver's account number with the UPIC and the RDFI's routing number with the URT and

(ii) return the UPIC Credit Entry as a UPIC Return Entry to the ODFI directly or through another ACH Operator and

(2) agrees that the return of the entry as a UPIC Return Entry is proper transmission of the entry for purposes of the NACHA Rules and the rules of an applicable ACH Operator and, if applicable, proper transmission of the payment order for purposes of the U.C.C.

**RULE 10. JOINT UPIC ACCOUNT.**

(a) FRBNY has established an account on its books for the UPIC Participants (“Joint UPIC Account”). A UPIC Participant becomes a party to the agreement under which the Joint UPIC Account has been established (“Joint UPIC Account Agreement”) by submitting an executed copy of the Joint UPIC Account Agreement in the required form to FRBNY.

(b) FRBNY shall hold all funds in the Joint UPIC Account for the joint benefit of all the UPIC Participants and FRBNY shall have no obligation to pay any amount except any amounts then in the Joint UPIC Account and except in accordance with the instructions of the Clearing House as agent of all UPIC Participants.

(c) Each UPIC Participant authorizes a Federal Reserve Bank to settle the amount of a UPIC Credit Entry by crediting the amount of the entry to the Joint UPIC Account and to settle a UPIC Reversing or Return Entry by debiting the amount of the entry to the Joint UPIC Account.

(d) Each UPIC Participant designates the Clearing House as its agent with respect to the operation of the Joint UPIC Account, including as its agent to receive acknowledgements and advices of debits and credits with respect to the Joint UPIC Account. A UPIC Participant may revoke this designation effective on the opening of business of the next day that is a business day for the Federal Reserve Banks following the day on which such notice is received by FRBNY and the Clearing House. A UPIC Participant that revokes its designation of the Clearing House as agent may no longer act as a UPIC Participant under these rules.

(e) No UPIC Participant and no other Participating DFI of EPN shall have a separate, individual claim against FRBNY at any time for any balance or any part of any balance in the Joint UPIC Account, and FRBNY shall have no obligation to pay any amount except the amount then in the Joint UPIC Account and except in accordance with the instructions of the Clearing House as agent on behalf of all UPIC Participants.

**RULE 11. SETTLEMENT OF UPIC CREDIT ENTRIES.**

Settlement with respect to a UPIC Credit Entry shall be accomplished in the following manner:

(a) A UPIC Credit Entry that EPN receives directly from the ODFI shall settle in accordance with the rules and procedures established in Article 7 of the EPN Operating Rules.

(b) A UPIC Credit Entry that EPN receives directly from an ACH Operator other than a Federal Reserve Bank shall settle as agreed to by EPN and the other ACH Operator.

(c) A UPIC Credit Entry that EPN receives from a Federal Reserve Bank shall settle as follows:

(1) On the settlement date, FRBNY shall credit the Joint UPIC Account in the amount of the UPIC Credit Entry.

(2) The credit to the Joint UPIC Account satisfies the settlement obligation of the RDFI's Federal Reserve Bank under the NACHA Rules and Federal Reserve Bank's applicable operating circular and, if applicable, constitutes payment of the amount of the UPIC Credit Entry by the Federal Reserve Bank to the beneficiary's bank for purposes of U.C.C. § 4A-403(1)(a).

(3) When the Federal Reserve Bank has transferred the UPIC Credit Entry to the Clearing House as agent of the UPIC Participant and credited the Joint UPIC Account, the UPIC Credit Entry has been settled and, if applicable, payment by the originator to the beneficiary under U.C.C. § 4A-406(1) has occurred.

(4) After the credit to the Joint UPIC Account, the Clearing House, as agent of the UPIC Participant, shall transfer funds in the aggregate amount of each UPIC Credit Entry associated with a UPIC Participant by means of a Fedwire funds transfer or as part of the net settlement arrangement described in Article 7 of the EPN Operating Rules. Failure of the Clearing House to credit the RDFI properly shall not give the RDFI any right to challenge the actions of a Federal Reserve Bank under this Rule 11(c) or Rule 8(a)(4) or under the NACHA Rules or any Federal Reserve Bank operating circular.

## **RULE 12. SETTLEMENT OF UPIC REVERSING ENTRIES AND UPIC RETURN ENTRIES.**

Settlement with respect to a UPIC Reversing Entry or a UPIC Return Entry shall be accomplished in the following manner:

(a) A UPIC Reversing Entry or a UPIC Return Entry related to a UPIC Credit Entry that EPN received directly from the ODFI shall settle in accordance with the rules and procedures established in Article 7 of the EPN Operating Rules.

(b) A UPIC Reversing Entry or a UPIC Return Entry related to a UPIC Credit Entry that EPN received directly from an ACH Operator other than a Federal Reserve Bank shall settle as agreed to by the Clearing House and the other ACH Operator.

(c) A UPIC Reversing Entry or a UPIC Return Entry related to a UPIC Credit Entry that EPN received from a Federal Reserve Bank shall settle as follows:

(1) Before the UPIC Reversing Entry or the UPIC Return Entry is scheduled to settle, a UPIC Participant must prefund the Joint UPIC Account for the amount of the UPIC Reversing Entry or the UPIC Return Entry either by directly or indirectly sending a Fedwire funds transfer in the amount of the UPIC

Entry to the Joint UPIC Account or by directing the Clearing House as its agent to credit the Joint UPIC Account in the amount of the UPIC Entry through the use of FRBNY's multilateral settlement service. In no event will EPN transmit to a Federal Reserve Bank a UPIC Reversing Entry or a UPIC Return Entry intended to settle in the Joint UPIC Account if, at the time of settlement, there will be insufficient funds in the account to settle the transaction.

(2) FRBNY shall debit the Joint UPIC Account in the amount of the entry and the ODFI's Federal Reserve Bank shall credit the ODFI's account in the amount of the entry on the settlement date in accordance with its operating circular.

(3) When the Federal Reserve Bank has transmitted the UPIC Reversing Entry or the UPIC Return Entry to the ODFI or the ODFI's ACH Operator, debited the Joint UPIC Account, and credited account of the ODFI, the UPIC Reversing Entry or the UPIC Return Entry has been settled and, if applicable, refund of payment by the receiving bank to the sender under U.C.C. § 4A-402(4) has occurred.

### **RULE 13. STANDARD OF CARE; LIABILITY.**

(a) The Clearing House shall exercise ordinary care with respect to its responsibilities as agent of the UPIC Participants under these rules and with respect to the use, selection, or programming of an electronic agent.

(b) The Clearing House shall not be liable to any party for any action taken or not taken under these rules except that it may be liable to a UPIC Participant, a Federal Reserve Bank, an ACH Operator, or a Participating DFI for actions taken or not taken under these rules where the action taken or not taken is the result of the Clearing House's own failure to exercise ordinary care, willful misconduct, or failure to comply with the provisions of these rules.

(c) Each UPIC Participant shall exercise ordinary care with respect to its responsibilities under these rules.

(d) No UPIC Participant shall be liable to any party for any action taken or not taken under these rules except that a UPIC Participant may be liable to the Clearing House, a Federal Reserve Bank, an ACH Operator, or a Participating DFI for actions taken or not taken under these rules where the action taken or not taken is the result of the UPIC Participant's own failure to exercise ordinary care, willful misconduct, breach of a warranty under these rules, or other failure to comply with the provisions of these rules.

(e) The measure of damages for any liability under these rules is limited to damages attributable directly and immediately to the failure to exercise ordinary care, willful misconduct, breach of warranty, or failure to comply with the provisions of these rules, but in no event shall such damages include consequential damages even if the consequences were foreseeable at the time that the failure, misconduct, or breach took place

**Rule 14. LICENSE.**

(a) The Clearing House grants to each UPIC Participant a limited, non-exclusive, non-transferable, non-sublicenseable, fully paid, right and license to use the UPIC® mark; to use, copy, and publicly distribute the Promotional Material; and to create Derivative Works (“Permitted Use”), provided that such Permitted Use conforms to the Usage Guidelines. The license granted herein is limited to the United States.

(b) No title or ownership of the UPIC® mark or Promotional Material is transferred to UPIC Participants by way of these Rules. Title to any Derivative Work created hereunder shall vest in the Clearing House, provided, however, that the Clearing House shall have no right in or title to any trademark or service mark of a UPIC Participant that is incorporated in such Derivative Work. Derivative Works shall be subject to the Usage Guidelines and shall be governed by the same restrictions that apply to Promotional Materials.

(c) Copyright notices and other proprietary legends appearing on Promotional Material shall not be removed by UPIC Participants. Derivative Works shall bear the copyright notice of the Clearing House.

(d) The services offered in conjunction with a UPIC Participant’s use of the UPIC® mark shall at all times conform to the requirements set forth in these Rules.

(e) The license granted herein shall continue in effect for as long as the UPIC Participant is a Participating DFI of EPN bound by these Rules unless such license is specifically terminated by the Clearing House as set forth herein.

(f) The Clearing House may terminate the license granted herein upon 30 days written notice to a UPIC Participant.

(g) No later than 30 days after receipt of notice of termination pursuant to Rule 14(f), the UPIC Participant shall cease all use of the UPIC® mark and shall return to the Clearing House all Promotional Material and Derivative Works or shall destroy all Promotional Material and Derivative Works and certify such destruction to the Clearing House in writing.

Appendix A  
UPIC PARTICIPANT AGREEMENT  
*[To be typed on letterhead stationery of participant]*

*[Date]*

The Clearing House Payments Company L.L.C.  
450 West 33rd Street  
New York, N.Y. 10001

Gentlemen:

We hereby apply to become a UPIC Participant *as defined in the Rules Governing the Universal Payment Identification Code (“UPIC”)(“UPIC Rules”)*. We agree to comply with and be subject to the *UPIC Rules* as in effect from time to time.

*[Name of Participant]*

By: \_\_\_\_\_ *[Signature]* \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_