

# *Automated Clearing House*

ACH

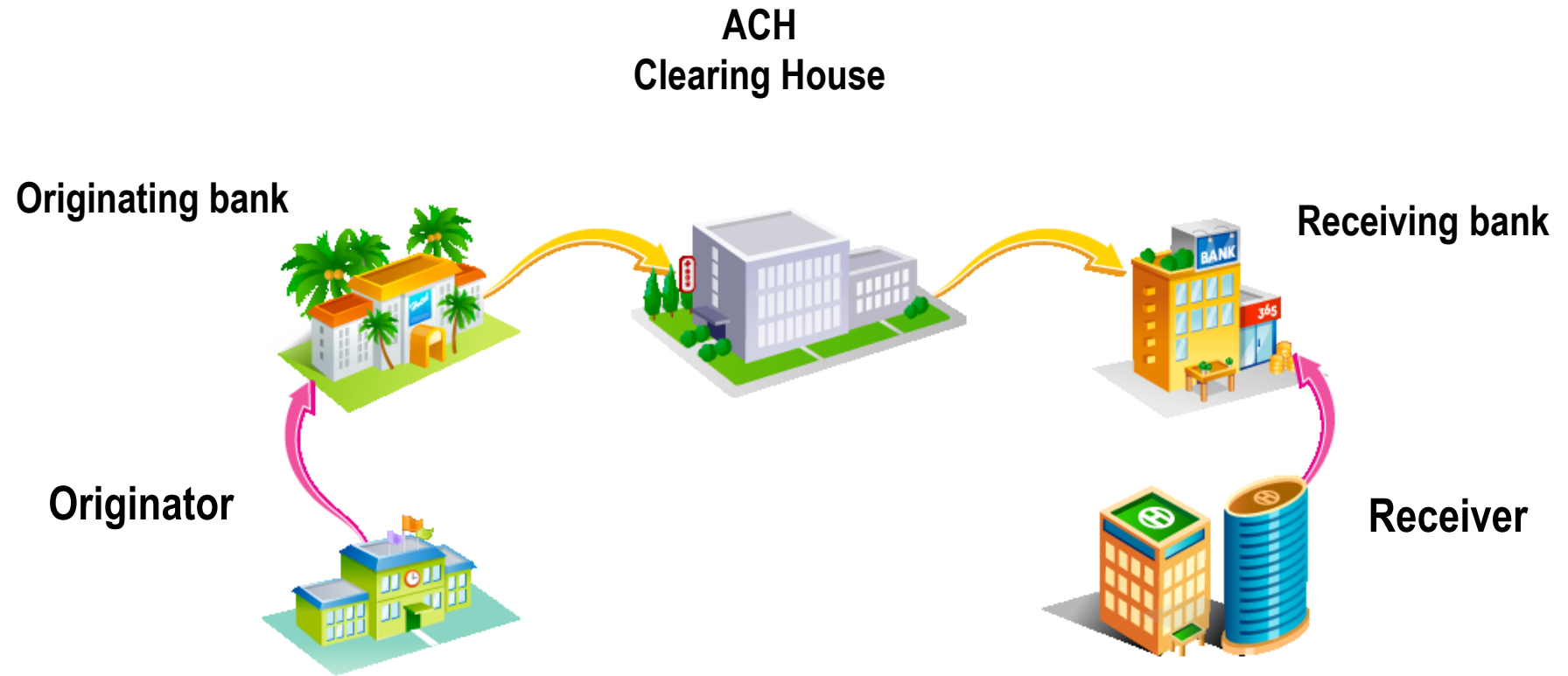
# ACH Definition

- Automated Clearing House
  - Is an electronic fund transfer mechanism that enables files of payment instructions to be exchanged and cleared among financial institutions.
- Clearing
  - Is the process of transmitting, reconciling and confirming payment orders plus establishing a net final position for settlement.

# ACH Ecosystem

- **ACH Operator:** the central bank who connects all banks and provides clearing and settlement of funds.
- **Originating Bank:** The bank that originates ACH entries on behalf of his client.
- **Originator:** An Originator is any individual or corporation that initiates transaction entries into the ACH Network.
- **Receiving Bank:** The bank that receives ACH transaction entries.
- **Receiver:** Natural person or organization that has authorized their bank to initiate an ACH entry to the Receiver's account with his bank.

# ACH Overview



# How Does It Work? ACH Transaction Processing

- The transaction process starts out when the receiver authorizes the originator to issue a transaction. This can be, for example, a debit or credit transaction and the originator could be a retail store, an employer, a utility company and even a regular person like you or me.
- Then, an Originating bank acts on behalf of the originator and enters the transaction into the [ACH network](#). The bank then sends the originator's transaction data to the operator.
- The operator then routes the ACH transaction to the appropriate Receiving Bank, who acts on behalf of the receiver, which could be a corporation or an individual, to issue a debit or credit to the receiver's account. And, thus, the ACH transaction process is complete.

# ACH Benefits

- Promote Economic Activities.
- Allow Better cash flow Management.
- Better liquidity management for the banks through monitoring their online financial position.
- Reduce associated payment Risk.
- Reduce Transaction Cost.
- Increase transparency and enhance the central authorizes.
- Better banking service provided.

# ACH Principles

- ✓ ACH is a nationwide solution deal with bulk of electronic credit or debit transfers initiated by banks or their customers.
- ✓ ACH must support full Straight-Through-Processing (STP) solution.
- ✓ ACH should Comply with International Settlements standards.
- ✓ ACH should utilize the latest ISO messaging SWIFT standards.
- ✓ The timing of settlement is based upon the effective entry date indicated on the ACH file and the time of its delivery to the ACH Operator.

# ACH Principles

- ✓ ACH should provide the participants with statistical database with query and reporting facilities
- ✓ ACH must provide complete audit trail and reporting facilities.



# System Services

## **Financial monitoring**

- ✓ Account balance and transaction history details;
- ✓ Provisional clearing report.
- ✓ Pre-settlement clearing report.
- ✓ Net clearing position
- ✓ Complete billing system.
- ✓ Participants' Balances Monitor
- ✓ Account Balances Monitor

## • **Non- Financial monitoring**

- ✓ Dashboards, system and line Monitor
- ✓ Heartbeat Management
- ✓ Message Processing Monitor