

# 2024 GUIDE TO SUCCESSFUL ELECTRONIC PAYMENTS

## TABLE OF CONTENTS

<b>Introduction.....</b>	i
The History of Electronic Pay.....	i
How to Use This Guide .....	ii
Other Information You Should Know.....	iii
<b>Chapter 1: Electronic Payment Overview .....</b>	1-1
How Does the Direct Deposit Process Work? .....	1-2
Key Points About Direct Deposit .....	1-4
Federal Reserve Banking Holiday Schedule, 2024 and 2025 .....	1-8
Same Day ACH .....	1-9
Earned Wage Access.....	1-12
Cryptocurrency and Payment of Wages.....	1-14
ACH Return Entry Codes.....	1-16
Notification of Change.....	1-19
ACH Notification of Change Codes.....	1-22
<b>Chapter 2: Why You Should Be Interested In Increasing Direct Deposit.....</b>	2-1
Improved Payroll Performance.....	2-3
Business Continuity/Disaster Recovery .....	2-3
Cost Savings for All Companies .....	2-4
Increased Service to Employees.....	2-4
Responding to Employee Resistance.....	2-4
Use ACH for More Than Paychecks.....	2-7
<b>Chapter 3: The Legal Framework Covering Direct Deposit Via ACH.....</b>	3-1
Nachा.....	3-1
The Nacha Operating Rules .....	3-1
Federal Electronic Fund Transfer Act and Regulation E .....	3-5
Fair Labor Standards Act (FLSA).....	3-5
State and Federal Laws and Regulations on Pay Media .....	3-5
Federal Government Uses Direct Deposit .....	3-6
You Can Help to Promote Change .....	3-6
<b>Chapter 4: Aim for 100% Direct Deposit Participation .....</b>	4-1
At Companies That Emphasize Employee Services.....	4-1
At Companies That Emphasize Quality and Control.....	4-2
At Companies That Emphasize Productivity and Cost Savings.....	4-3
At Companies Concerned With Loss of Float .....	4-3
<b>Chapter 5: Developing the Company/Financial Institution Relationship Agreement.....</b>	5-1
Contact Your Company's Financial/Banking Institution First .....	5-1
How to Choose an ODFI .....	5-1
ODFI Selection Criteria.....	5-2

Preparing a Service Agreement .....	5-4
How Much Will It Cost? .....	5-6
Who Should Be Responsible for Negotiations? .....	5-7
ACH Origination Agreements: Important Terms to Consider .....	5-8
Responsibilities of Employers That Use Payroll Service Providers .....	5-8
<b>Chapter 6: How to Promote Electronic Payments Within Your Company .....</b>	<b>6-1</b>
Promoting Electronic Payments.....	6-1
Promoting Direct Deposit via ACH .....	6-1
Educate Yourself and Your Payroll Department.....	6-2
Analyze Your Payroll System or Service Provider's Capabilities .....	6-2
Prepare for Questions About Direct Deposit.....	6-4
Working With Unionized Employees .....	6-5
Promoting Electronic Payments.....	6-6
Celebrate Direct Deposit and Direct Payment Payments in May.....	6-8
<b>Chapter 7: Implementation of Direct Deposit via ACH .....</b>	<b>7-1</b>
Payroll Direct Deposit Project Plan .....	7-2
Implementation Issues .....	7-3
ACH Direct Deposit File Format .....	7-4
File Organization .....	7-4
File Specifications.....	7-5
Record Specifications .....	7-5
Mandatory PAYROLL Company Entry Description beginning in 2026.....	7-6
Voluntary Formatting Standard for ACH Payroll Files .....	7-6
Data Security Requirements for Large-Volume Originators and Third Parties .....	7-7
Processing Schedules.....	7-7
Testing Direct Deposit.....	7-10
Data Formats and Field Contents .....	7-11
Rules for Reversing Files .....	7-11
Data Formats and Field Contents for File Reversals .....	7-11
Reversing Entries .....	7-12
Definition: Nacha Rules - Subsections 2.9.1 and 2.9.2.....	7-12
Nacha Rules to Prevent the Improper Use of Reversals .....	7-13
<b>Chapter 8: Administration of Direct Deposit via ACH .....</b>	<b>8-1</b>
Decide What Information to Give Employees.....	8-1
Setting Up New Enrollees.....	8-2
Changes Authorized by Employees .....	8-3
Resolve Late Deposit Issues.....	8-3
Stopping Direct Deposit.....	8-4
Daily ACH Processing.....	8-5
Accounting for Transmittals .....	8-6
Account Reconciliation/Auditing.....	8-6
Holiday Processing .....	8-6

Disaster Recovery .....	8-7
Importance of Documentation.....	8-7
<b>Chapter 9: Third-Party Electronic Payments .....</b>	<b>9-1</b>
Child Support Payments.....	9-1
A Standard Format for Direct Deposit of Child Support .....	9-2
How the Process Works.....	9-2
Benefits .....	9-3
Third-Party Providers and State Disbursement Units.....	9-4
Electronic Federal Payroll Tax Payments.....	9-6
EFT Required for Federal Depository Taxes .....	9-6
The EFTPS Enrollment Process .....	9-6
What About Service Providers?.....	9-7
Help Available for Employers .....	9-7
Involve Other Departments in Your Company .....	9-7
EFTPS Payment Options .....	9-8
ACH Debit Entry .....	9-8
ACH Credit Entry.....	9-9
What to Do If Something Goes Wrong.....	9-10
Cancellations And Reversals Take Longer.....	9-11
Proving a Payment Was Made.....	9-11
Refunds and Reversals .....	9-12
Other Electronic Payments.....	9-12
<b>Chapter 10: International Payments.....</b>	<b>10-1</b>
International Payroll Delivery .....	10-1
All Countries Are Different .....	10-1
Payment Delivery Rails .....	10-1
Rejected Payments .....	10-2
International Direct Deposits.....	10-2
International ACH Transactions .....	10-3
Participants of an IAT Entry .....	10-4
Common IAT Scenarios.....	10-5
Additional IAT Screening and Compliance .....	10-9
IAT Returns.....	10-9
IAT Transaction Type Codes.....	10-10
<b>Chapter 11: Federal and State Regulations on Direct Deposit via ACH and Electronic Paycards.....</b>	<b>11-1</b>
Electronic Fund Transfer Act of 197815 USC 1693 —1693r (excerpts) .....	11-3
Regulation E12 CFR Part 1005 (excerpts) .....	11-6
State Rules Governing Direct Deposit via ACH and Electronic Paycards.....	11-26

<b>Chapter 12: Payroll Cards.....</b>	<b>12-1</b>
Benefits of Payroll Cards .....	12-1
Types of Payroll Cards .....	12-2
Payroll Card Bank Account Structure.....	12-3
Employee Access to Funds.....	12-3
Employee Promotion and Training.....	12-3
Employee Enrollment.....	12-4
Funding the Accounts .....	12-4
Customer Service.....	12-4
Cash Access and Fees.....	12-5
Pay Stubs .....	12-6
Compliance Issues.....	12-6
Frequently Asked Questions for Employers.....	12-7
Frequently Asked Questions for Employees .....	12-13
<b>Chapter 13: Electronic Payments in Accounts Payable.....</b>	<b>13-1</b>
Wire Transfer.....	13-1
Methods of Transferring Currency.....	13-3
Credit and Debit Cards .....	13-3
Virtual Payment Cards .....	13-4
Electronic Check Processing (ECP).....	13-4
Other Electronic Payment Apps or Tools .....	13-4
Direct Deposit and Direct Payments via the ACH Network .....	13-5
Organizational Resistance to Moving to Electronic Payments .....	13-8
<b>Glossary.....</b>	<b>G-1</b>
Commonly Used Acronyms.....	G-1
Glossary of ACH Terms.....	G-3
<b>Appendix A: Technical Information .....</b>	<b>A-1</b>
<b>Appendix B: Agency Contact Information for Direct Deposit and Electronic Paycards .....</b>	<b>B-1</b>
<b>Appendix C: Electronic Child Support Payments Contact List .....</b>	<b>C-1</b>
<b>Appendix D: Earned Wage Access Report, White Paper on Payroll Card     Regulations, and Cryptocurrency Report.....</b>	<b>D-1</b>
Understanding Earned Wage Access and Payroll.....	D-2
Regulation of Payroll Card Accounts: A Guide for Policymakers .....	D-37
Roadblocks to the Blockchain: An Analysis of Regulatory Hurdles for the Payment of Wages With Cryptocurrency.....	D-53
<b>Appendix E: Electronic Payment Resources .....</b>	<b>E-1</b>