

Upcoming Nacha Operating Rules Update

February 18th, 2021

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About ACH and Nacha



Nacha[®]

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EFT

(Electronic Funds Transfer) is a general term designating a system or process for electronically transferring funds from one bank account to another.

Can refer to ACH, ATMs, payment cards, and other electronic means for transferring funds



ACH

Refers to a specific electronic payment network (Automated Clearing House Network)

- Used for business, government and consumer domestic and international payments
- Funds are moved between bank accounts by the banks
- Payments settle within 1 day for “Classic ACH”; payments settle in the same day for “Same Day ACH”
- The Network is governed by Nacha

eCheck

Usually refers to a debit ACH payment, where the payment replaces a physical check

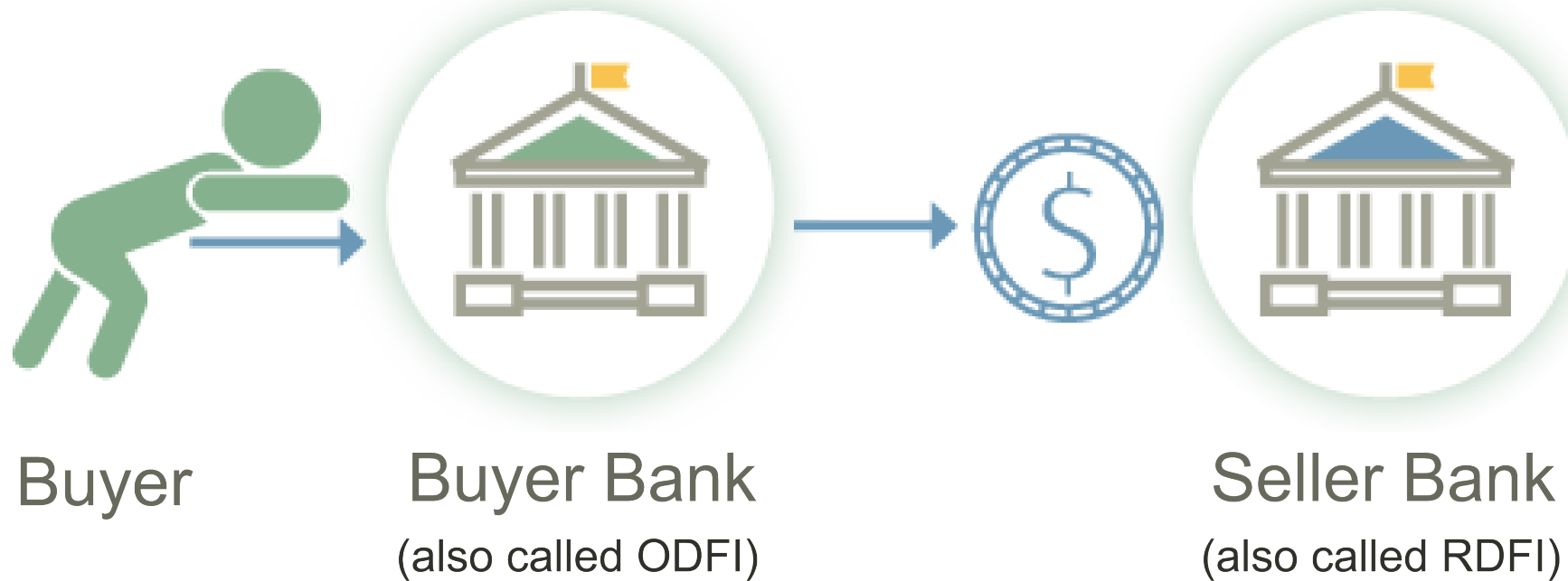
- The ACH Network allows businesses to convert consumer checks into ACH debits
 - Instead of clearing the check through the checking system, the check is converted into an ACH debit, and clears via the ACH Network.
- Some online payment systems refer to ACH as eCheck, since the payment is electronically debited from the checking account



In the ACH, What is a Credit Payment?

In a CREDIT ACH payment, the customer or buyer “pushes” funds from the customer/buyer’s bank account to a biller/seller’s bank account.

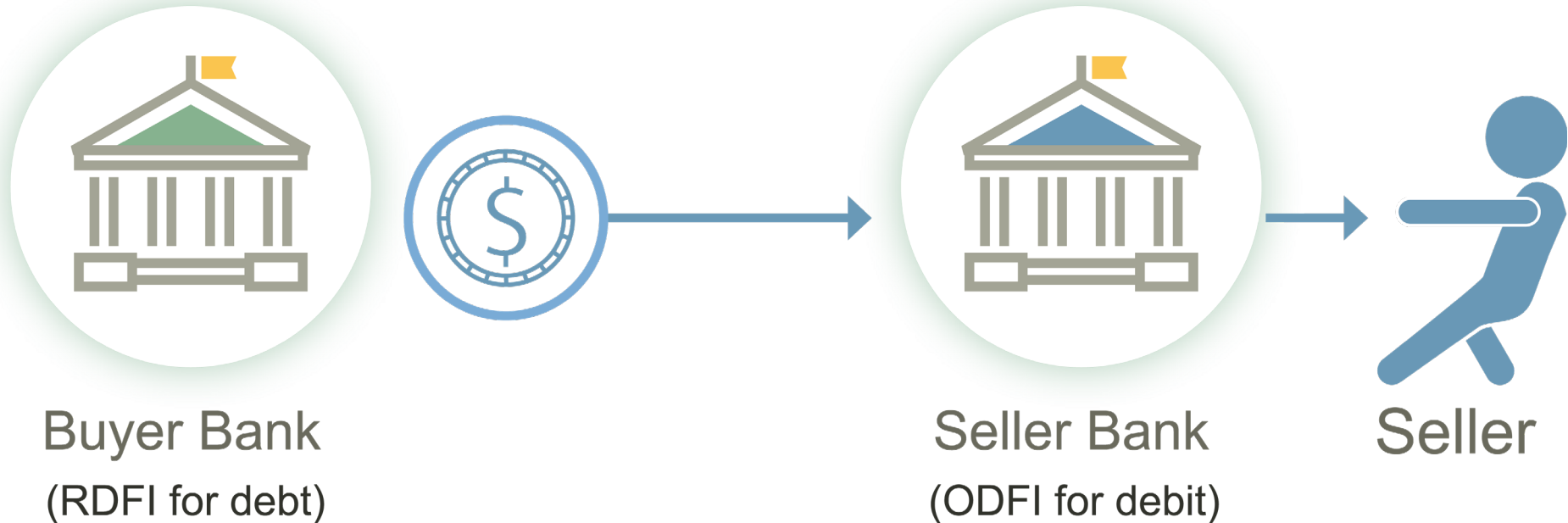
(Example – paying an invoice; Direct Deposit; paying bills from online banking)



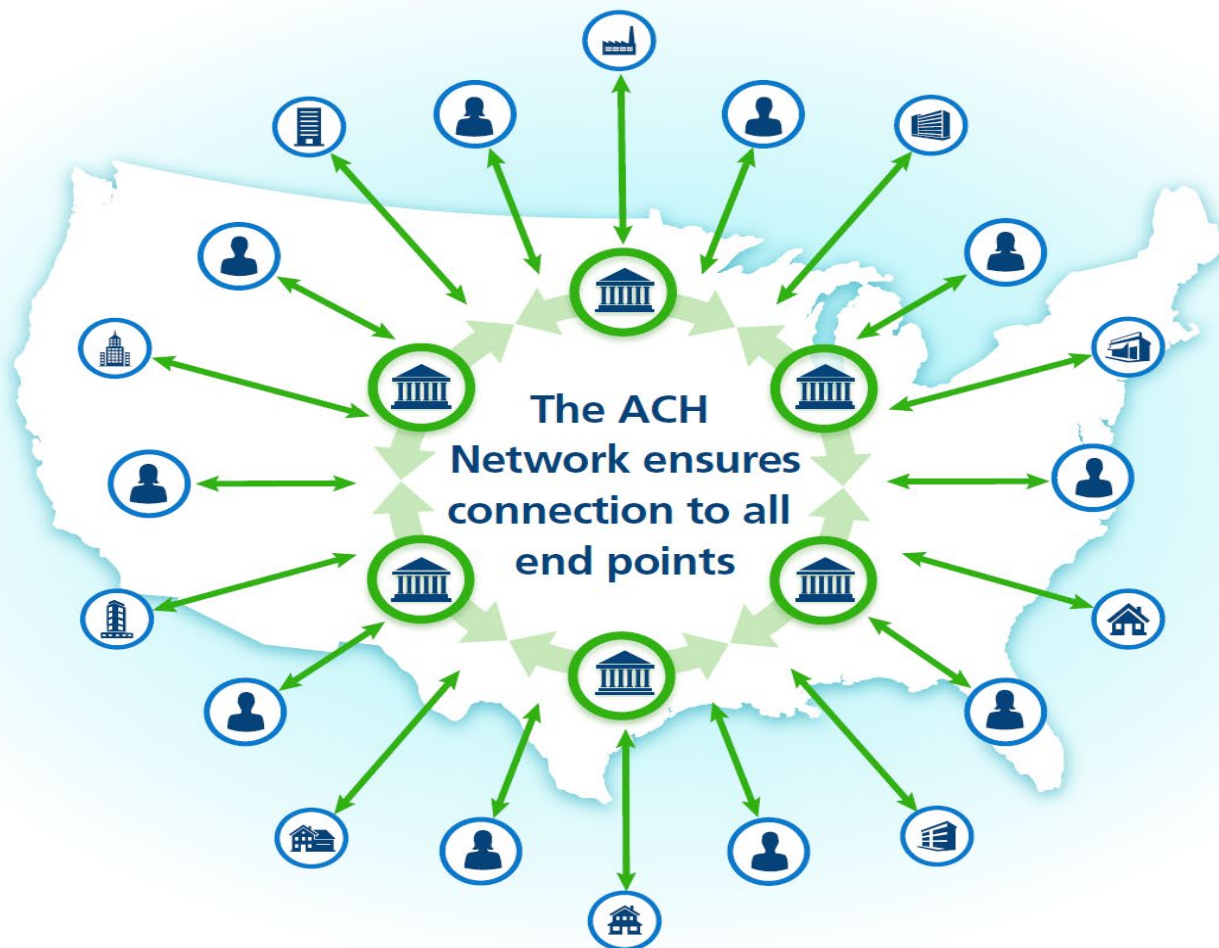
In the ACH, What is a Debit Payment?

In a DEBIT ACH payment, the seller “pulls” funds from the customer or buyer’s bank account for transfer to the seller’s bank account.

(Analogy – paying with a check, where the seller then needs to deposit the check and collect funds.)



The Strength of the Network



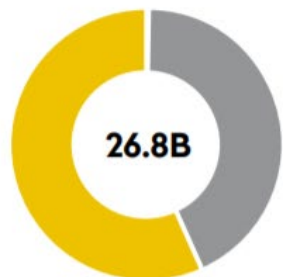
2020 ACH NETWORK VOLUME AND VALUE



26.8B TRANSACTIONS
TOTALING **\$61.9T**

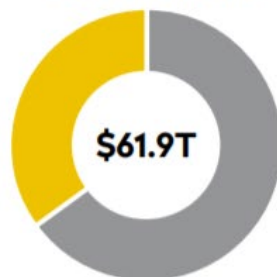


2020 VOLUME



● 15.2 BILLION DEBITS
● 11.6 BILLION CREDITS

2020 VALUE



● \$21.7 TRILLION DEBITS
● \$40.2 TRILLION CREDITS

VOLUME



From 2019

VALUE



From 2019

+8.2%

+10.8%

2020 VOLUME GROWTH BREAKDOWN

B2B
+10.7%
4.4B

DIRECT DEPOSIT
+12%
8B

INTERNET
+15%
7.7B

P2P
+42.2%
217.6M

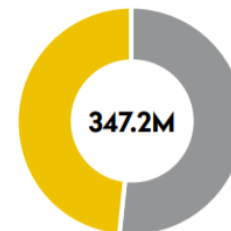
HEALTHCARE
+5.4%
361.6M

SAME DAY ACH



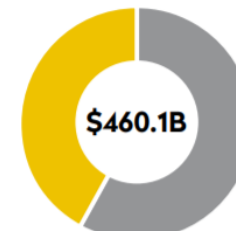
347.2M TRANSACTIONS
TOTALING **\$460.1B**

2020 VOLUME



● 168.7 MILLION DEBITS
● 178.5 MILLION CREDITS

2020 VALUE



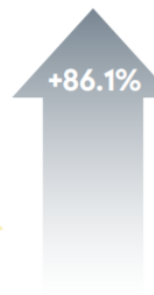
● \$193.5 BILLION DEBITS
● \$266.6 BILLION CREDITS

VOLUME



From 2019

VALUE



From 2019

+38.6%

+86.1%

THE MODERN ACH NETWORK IS THRIVING

Volume has increased by **MORE THAN 1B**
every year for the last 6 years

Value has increased by **MORE THAN \$1T**
every year for the last 8 years

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Nacha.org



ACH Network

Upcoming Nacha Rules

Implementation Dates and Impacts

Upcoming Effective Dates

Italics = Proposed Effective Date

| | Same Day ACH | Quality and Risk | Meaningful Modernization |
|-----------------------|---------------------------------------|---|---|
| January 1, 2021 | | Enforcement (Egregious, Class 3) | |
| March 19, 2021 | Same Day ACH Extended Hours | Commercially Reasonable Fraud Detection for WEB Debits | |
| April 1, 2021 | | Unauthorized Entry Fee will be applied to R11 | |
| June 30, 2021 | | Account Information Security Requirements (Phase 1) Reversals Limitation on Warranty Claims | |
| September 17, 2021 | | | Standing Authorizations, Oral Authorizations, Other Authorization Changes, Alternative to Proof of Authorization, Electronic/Oral WSUDs |
| <i>March 18, 2022</i> | <i>Dollar limit increased to \$1M</i> | | |
| June 30, 2022 | | Account Information Security Requirements (Phase 2) | |

The Rules Implementing in 2021

MARCH 19, 2021

Supplementing Fraud Detection Standards for WEB Debits

The WEB Debit Account Validation Rule will take effect March 19, 2021. The rule was originally approved by Nacha members in November 2018 to become effective January 1, 2020.

MARCH 19, 2021

Expanding Same Day ACH

This new rule expands access to Same Day ACH by allowing Same Day ACH transactions to be submitted to the ACH Network for an additional two hours every business day. The new Same Day ACH processing window will go into effect on March 19, 2021. Learn more about Same Day ACH with our [Resource Center](#).

JUNE 30, 2021

Supplementing Data Security Requirements

The upcoming effective dates of the Rule on Supplementing Data Security Requirements are extended by one year, to June 30, 2021 and June 30, 2022, respectively.

The Rules Implementing in 2021

JUNE 30, 2021

Limitation on Warranty Claims

This new rule limits the length of time in which an RDFI will be permitted to make a claim against the ODFI's authorization warranty. The rule will become effective June 30, 2021.

JUNE 30, 2021

Reversals and Enforcement

The overarching purpose of these two Rules is to deter and prevent, to the extent possible, the improper use of reversals and the harm it can cause.

The two Rules will explicitly address improper uses of reversals, and improve enforcement capabilities for egregious violations of the Rules.

The Reversals rule will become effective June 30, 2021 and the Enforcement rule will be effective January 1, 2021.

SEPTEMBER 17, 2021

Meaningful Modernization

The overarching purpose of these rules is to improve and simplify the ACH user-experience by

- Facilitating the adoption of new technologies and channels for the authorization and initiation of ACH payments
- Reducing barriers to use of the ACH

Supplementing Fraud Detection Standards for WEB Debits

Originators of WEB debit entries are required to use a “commercially reasonable fraudulent transaction detection system” to screen WEB debits for fraud

- Existing Nacha guidance already states:
 - “An important element of a commercially reasonable fraudulent transaction detection system would be the adoption of risk-based mechanisms designed to confirm the validity of an account to be debited.”
- This rule is intended to help prevent fraud on the ACH Network and protect financial institutions from posting fraudulent or incorrect unauthorized payments.
- Merchants and billers (and their processing partners) are in the best position to detect and prevent fraud related to payments they are initiating.

Who is impacted by this rule?

If your organization allows consumers to make purchases or payments via the internet or mobile devices and directly, electronically withdraws payments from their checking accounts, this rule applies to you:

All industries

- Any size
- Governments included



Commercially Reasonable Fraud Detection for WEB Debits

The existing rule language has been supplemented to make it explicit that “account validation” is part of a “commercially reasonable fraudulent transaction detection system”

- The first time a consumer checking account is used for an electronic (ACH) payment, if the payment is taken or initiated over an online channel, the account number must be validated first.
 - This could be the first time a customer makes a payment, or when a consumer changes the account number being used for online payments.

Commercially Reasonable Fraud Detection for WEB Debits

The rule is neutral with regard to specific methods or technologies to validate account information. Possibilities include:

- An ACH prenotification
- ACH micro-transaction verification
- Commercially available validation service
- Potential new capabilities or services, such account validation enabled by APIs

Effective date **March 19, 2021**

Commercially Reasonable Fraud Detection for WEB Debits – Case Study

‘Legacy FI’ began receiving a large number of ACH debits attempting to post to account numbers that did not conform to its account number structure

- These debits involved many Receivers
- None of the Receivers were customers of the institution
- There were multiple entries for each Receiver
- There was no consistency in the Originator names

Legacy FI returned approximately 900 transactions

- In this case, when the ODFIs and the Originators were made aware of the situation and reviewed the entries, they determined that they were related to a social media fraud scheme, where consumers were led to believe they could pay off debt using fictitious accounts
 - Lack of validation allowed these entries to be originated

Updated WEB Debit FAQs

<https://www.nacha.org/WEBDebit>

QUESTION

If a WEB debit customer authorizes use of an account number that has been previously used successfully for non-WEB debits, must an Originator do additional validation of that account number?

QUESTION

If a WEB debit customer authorizes use of an account number that has been previously used successfully for WEB debits, must an Originator do additional validation of that account number?

No. Use of an account number with a proven history of prior successful payments is a sufficient means for validation for use of the account with a new WEB authorization.

QUESTION

As part of a commercially reasonable fraud detection system for WEB debit entries, the Nacha Rules require an Originator validate the account number prior to its first use and before any change to the account number. What does the term “validate” mean?

At a minimum, the Originator must use a commercially reasonable means to determine that the account number to be used for the WEB debit is for a valid account – that is, that the account to be used is a legitimate, open account to which ACH entries may be posted at the RDFI.

QUESTION

Does the new rule on account validation mean that an Originator must also validate the ownership of the account?

How do I prepare?

Immediately

Contact your financial institution(s) and/or payments and technology vendors

- Do they offer or recommend any validation method or service?
- Do they offer any analysis on competitors and the commercially reasonable standard for your industry?

Prepare an implementation plan that starts with a validation method selection

Determine current capabilities and include a vendor selection plan – if your organization uses a third-party service

Review implementation and testing timelines if using a customized solution

Update policies, procedures and documentation

The New Same Day ACH Opportunity for Businesses



Fast – Anywhere
Same Day ACH
payments
can be sent to -
or collected from
- any bank
account in the
U.S.



*Sent and
Received
Same Day*
Payments or
collections
initiated within
designated times
are received and
settled the same
day.



*Optional to
Send*
Payers and
debit collectors
must choose to
use Same Day
ACH by placing
today's date in
the Effective
Entry Date field.



*Required to
Receive*
Banks are
required to
receive Same
Day ACH
payments and
debits, and to
update accounts
in the same day.

Same Day ACH Launched More Than 4 Years Ago!

Five phases implemented so far

1. Same Day Credits – Sept. 2016
2. Same Day Debits – Sept. 2017
3. Funds availability at 5 pm local time – March 2018
4. Better funds availability – Sept. 2019
5. Dollar limit increase – March 2020

Why Same Day ACH?

From needs...



... to a faster payment option

① 100 million ACH payments are made every day

② Same Day ACH creates an option for faster payments

③ Support the desires from corporates, financial institutions and other bank customers

Expanding Access to Same Day ACH

Effective **March 19, 2021** the hours for Same Day ACH will be extended by 2 hours every banking day

- ACH credits, debits, and returns all will be eligible

Settlement will occur at 6:00 p.m. ET

Use cases include:

- ✓ Payroll payments
- ✓ Bill payments
- ✓ Business-to-business payments
- ✓ Account-to-account transfers
- ✓ Returns

Meets needs expressed by many financial institutions, businesses and consumers in the western U.S.



Expanding Access to Same Day ACH – What This Means for You

As an ACH Originator

- You likely will have the opportunity to initiate Same Day ACH payments later into each banking day
- Eligibility to initiate Same Day ACH payments and transfers might vary by financial institution
- Will your FI offer new capabilities on March 19, 2021 – i.e., the “go-live date”
- What are your opportunities? What are your use cases for SDA?
- Ultimately, the decision to use SDA and its new capabilities is optional (but all the cool kids are doing it!)

As an ACH Receiver

- You might receive an ACH payment – a credit or a debit, up to \$100,000 – later into the banking day
 - For example, a payment from a customer or client;
 - Or, receipt of a bill payment from a business or consumer
- Understand from your financial institution(s) regarding transaction posting and reporting

How are Same Day ACH transactions identified?

Mandatory:

- Same Day ACH transactions are identified and processed by using “today’s” date in the Effective Entry Date field of the batch of Same Day ACH transactions and meeting the processing deadline.
- If the entry contained a stale or invalid date in the Effective Entry Date field, the batch/entry will be processed in the next available window, which could be same day or next day.

Optional:

- ODFIs, at their discretion, may require their Originators to further show intent for same-day settlement using an optional, yet standardized, same-day indicator in the Company Descriptive Date field.

Business Implementation Considerations: Origination

1. Opportunity Assessment

- Credit origination: payroll, insurance/disaster payments, reimbursement, emergency payments, state taxes, etc.
- Debit origination: offset/collections, risk reduction

2. Review Payment Services/ACH Origination Agreement

- Same Day ACH service availability
- New file submission schedule, cut-off times
- Exceptions resolution schedule and cut-off times
- Payment confirmation notifications
- Schedule/timing for funds withdrawal
- Fees

Business Implementation Considerations: Origination

3. Assess Internal Processes and Systems

- Update customer master file - identify which companies/which payments will be eligible to be sent Same Day ACH
- Identify which payments to be sent Same Day - possible changes to daily/scheduled pay and customer payment runs
- Customer contract review (payment terms/timing of debits)
- Ensure proper use of Effective Entry Date
- Create new /separate file output for Same Day ACH, if necessary
 - Identifying Same Day ACH transactions (i.e.. Effective Entry Date on the Batch Header), and “weed out” ineligible payments (e.g. payments above the \$100,00 limit and IAT payments)
 - Determine schedule for submitting single and/or multiple window batches for credits and debits; understand treasury impacts

4. Evaluate Risk

- Review depository agreements
 - Transaction accounts will be debited for outgoing and credited with incoming same-day payments sooner than before. Assess impact to intraday liquidity/liquidity risk/daylight overdraft; subscribe to intraday bank reports to stay on top of cash position.
- Assess risk controls
 - As transactions move faster, so too will transactions that are erroneous or not due to an employee. Less time might be available to screen transactions for errors and to correct any errors.

How Are Same Day ACH Transactions Identified when Receiving a Payment?

Receiving a Same Day ACH payment – Mandatory Identification

Same Day ACH payments are identified with “today’s” date in the Settlement Date field

- The Settlement Date is dictated by the ACH Operator of the RDFI (payee’s bank) and is intended to indicate when the RDFI will be credited or debited by the Federal Reserve.

Business Implementation Considerations: Receipt

1. Analyze Use Cases/Opportunity Assessment

- Encourage Same Day ACH credit payments from customers vs. other expedited options

2. Review FI/Payment Provider ACH Payment Receipt Services/Depository Agreement

- Same Day ACH payment/posting/cash file delivery schedule
- New collections file submission schedule/cut off times for debit payments, collections and non-monetary transactions
- Funds availability schedules
- Fees

3. Assess Internal Receivable Processes and Systems Impact

- Process for crediting customer for same-day payments
- Late day payment/reporting/cash file
- Trading partner contract review (payment terms, e.g. providing the additional option of Same Day ACH in contract)
- Customer facing systems – update to portals or other methods for accepting and crediting Same Day ACH

Business Implementation Considerations: Receipt

4. Other

- Cash forecasting/position/investment/debt payments
 - Once funds availability schedules are confirmed, evaluate impact on cash position/investment options/debt paydown with respect to cash reserves (e.g., investment options for late-day credits; impact of late-day debits; cash receipt may come too late to make investment or pay down debt)

Account Information Security Requirements

The rule expands the existing ACH Security Framework rules to explicitly require large, non-FI Originators, Third-Party Service Providers (TPSPs) and Third-Party Senders (TPSs) to protect account numbers by rendering them unreadable when stored electronically

- Aligns with existing language contained in PCI requirements
- Neutral as to methods/technology – encryption, truncation, tokenization, destruction, data stored/hosted/tokenized by ODFI, etc.

The rule, continued:

- Applies only to the DFI account number collected for or used in ACH transactions
- Does not apply to the storage of paper authorizations
- The rule does not apply to depository financial institutions when acting as internal Originators, as they are covered by existing FFIEC and similar data security requirements and regulations

Account Information Security Requirements

Implementation begins with largest Originators & TPSPs

The rule initially applies to ACH Originators/TPSPs/TPSs with ACH volume of 6 million transactions or greater annually

- Initially, an Originator/Third-Party that originated 6 million or more ACH transactions in calendar year 2019 will need to be compliant by June 30, 2021

A second phase applies to ACH Originators/TPSPs/TPSs with ACH volume of 2 million transactions or greater annually

- An Originator/Third-Party that originated 2 million or more ACH transactions in calendar year 2020 will need to be compliant by June 30, 2022

Limitation on Warranty Claims – Overview

This rule change would limit the length of time in which an RDFI would be permitted to make a claim against the ODFI's authorization warranty

- For an entry to a non-consumer account, the time limit would be one year from the settlement date of the entry
 - Analogous to one-year rule in UCC §4-406 that applies to checks and items charged to bank accounts
- For an entry to a consumer account, the limit would cover two time periods
 1. Two years from the settlement date of the entry (i.e., the last two years)
 - This period exceeds the one-year Statute of Limitations in the Electronic Funds Transfer Act (covering Regulation E claims), which runs from the date of the occurrence of the violation, which may be later than the settlement date of the transaction
 - This also allows for “extenuating circumstances” in which a consumer is delayed from reporting an error to his or her financial institution
 2. Ninety-five (95) calendar days from the settlement date of the first unauthorized entry to the consumer's account (i.e., the first 95 days)
 - This period covers the time period in Regulation E in which an RDFI is liable to a consumer for errors for 60 days from the transmittal of an account statement that shows the first error

Reversals - Overview

Although the Rules already define only a limited number of permissible reasons for Reversals, this Rule further:

- Specifically states that the initiation of Reversing Entries or Files for any reason other than those explicitly permissible under the Rules is prohibited
- Explicitly defines within the Rules non-exclusive examples of circumstances in which the origination of reversals is improper:
 - The initiation of Reversing Entries or Files because an Originator or Third-Party Sender failed to provide funding for the original Entry or File
 - The initiation of a Reversing Entry or File beyond the time period permitted by the Rules

Reversals - Overview

This Rule also:

- Establishes formatting requirements for reversals, beyond the current standardized use of the Company Entry Description field (“REVERSAL”)
 - The Company ID, SEC Code, and Amount fields of the reversal must be identical to the original entry
 - The contents of other fields may be modified only to the extent necessary to facilitate proper processing of the reversal
 - Allowed flexibility to accommodate minor variations in the Company Name for accounting/tracking purposes, provided that the Company Name remains readily recognizable to the Receiver
 - This is the same approach as the formatting requirements for Reinitiated Entries
- Explicitly permits an RDFI to return an improper Reversal
- Expands the permissible reasons for a reversal to include a “wrong date” error – 1) the reversal of a debit Entry that was for a date earlier than intended by the Originator, or 2) a credit Entry that was for a date later than intended by the Originator

Enforcement - Overview

This Rule:

Defines an Egregious Violation as

- A willful or reckless action, and
- Involves at least 500 Entries, or involves multiple Entries in the aggregate amount of at least \$500K

Allows the ACH Rules Enforcement Panel to determine whether a violation is Egregious, and to classify an Egregious Violation as a Class 2 or 3 Rules Violation

- The sanction for a Class 3 violation can be up to \$500,000 per occurrence and a directive to the ODFI to suspend the Originator or Third-Party Sender

Expressly authorizes Nacha to report Class 3 Rules violations to the ACH Operators and industry regulators

Meaningful Modernization Rules

Five specific Rules proposals, collectively referred to as “Meaningful Modernization”, were recently approved

The overarching purpose is to improve and simplify the ACH user-experience by

- Facilitating the adoption of new technologies and channels for the authorization and initiation of ACH payments
- Reducing barriers to use of the ACH
- Providing clarity and increasing consistency around certain ACH authorization processes; and
- Reducing certain administrative burdens related to ACH authorizations

Meaningful Modernization - Overview

The five Rules:

1. Explicitly define the use of standing authorizations for consumer ACH debits
2. Define and allow for oral authorization of consumer ACH debits beyond telephone calls
3. Clarify and provide greater consistency of ACH authorization standards across payment initiation channels
4. Reduce the administrative burden of providing proof of authorization
5. Better facilitate the use of electronic and oral Written Statements of Unauthorized Debit

Effective date for all of September 17, 2021

Watch for additional
educational opportunities
focused on Meaningful
Modernization

Important Resources

Coronavirus Pandemic Resource Center
Corporate Rules Resource Center



Home >

ACH Resources During the Coronavirus Pandemic

The Latest Information from Nacha on the ACH Network During the National Emergency

POSTED ON

March 27, 2020

During the national emergency brought about by the coronavirus, Nacha will use this page to bring you updated information regarding ACH Network operations. This includes Operations Bulletins, articles, helpful links and more.

ACH Operations Bulletins

[ACH Operations Bulletin #7-2020: Nacha Provides Update on COVID-19 Relief and Upcoming Effective Dates](#)

[ACH Operations Bulletin #6-2020: Nacha Provides Relief on Return Rate Levels](#)

[ACH Operations Bulletin #5-2020: Nacha Provides Relief of RDFIs on Signature Requirements of Written Statements of Unauthorized Debit](#)

[ACH Operations Bulletin #4-2020: Nacha Extends Effective Dates of Data Security Rule; Affirms Effective Dates of Other Rules](#)

[ACH Operations Bulletin #3-2020: Nacha Provides Relief from Deadlines Related to Certain Required Records](#)

Frequently Asked Questions

[ACH Network Rules Pandemic Related FAQs \(August 26, 2020\)](#)

Articles

[ACH Can Help Houses of Worship in a Pandemic and Beyond](#)

[The State of Nacha and ACH](#)

[The ACH Network is Delivering Emergency Assistance on Time](#)

Current Fraud Threats

[Payment Innovation Alliance's COVID-19 Best Fraud Prevention and Cybersecurity Practices](#)

[Nacha's Current Fraud Threats page has a section devoted to Coronavirus scams](#)

External Resources

[Bureau of the Fiscal Service notice to FIs on temporary suspension of debits due to lack of response to an ACH Reclamation notice after 60 days](#)

[Board of Governors of the Federal Reserve System](#)

[Centers for Disease Control and Prevention](#)

[CFPB](#)

[CISA](#)

[Coronavirus.gov](#)

[FDIC](#)

ACH Rules Resources for Corporates

POSTED ON

June 08, 2020

Corporate end users will find the resources they need here, including End-User Briefings, Requests for Comment and more. And be sure to check back often for more new resources.

SHARE POST



Sign Up for Rules News

Stay up to date with the latest information on the Nacha Operating Rules. [Sign up through our form](#) to receive our complimentary Rules News emails.

Open for Comment Rules Proposals

Get information on the latest proposed changes and updates to the Nacha Operating Rules which are open for comment. [Review Rules Open for Comment](#).

End-user Briefings

[Expanding Same Day ACH Hours](#)

[Supplementing Data Security Requirements](#)



nacha.org/content/ach-rules-resources-corporates

Category:

- Same Day ACH

Attention Required:

- Technology/Systems
- Administrative

**Nacha**TM**Date Effective: March 19, 2021**

Date Approved: September 17, 2018

End-user Briefing

Issue Date: August 12, 2020

Expanding Same Day ACH Hours

Does this rule impact me?

Yes. ALL types of organizations (businesses, associations, governments, etc.) may be impacted by expanded operating hours for same day electronic transaction (ACH) processing, both in their own bank accounts and options available for sending payments.

What is the purpose of this rule?

Nacha is enhancing the ACH Network based on your feedback. As we continue to innovate, all users will benefit from more options for faster payments using Same Day ACH, including all users having the ability to send later into the afternoon hours.



For more detailed information, see nacha.org/ExpandingSameDay

What is the rule?

This new rule extends the operating hours of Same Day ACH by two hours every business day.

Mandatory changes for all organizations that receive payments to and from their accounts

Transactions that may change the current day's bank account balances (debits and credits) could be received by your financial institution as late as (approximately) 6:00pm Eastern Time. This new rule will impact posting of transactions to your bank account; contact your financial institution for a schedule of changes.

Upcoming Rules Changes

[Learn more](#) about all the upcoming ACH Rules changes.

Account Validation Resource Center

Visit Nacha's [Account Validation Resource Center](#) for a wealth of helpful information.

How ACH Rules are Made Video



Thank you!

amorris@nacha.org

ACH Rules for Corporates Resource Center:
www.nacha.org/corporates

ACH Supports Businesses: <https://www.nacha.org/business>

ACH Quick Start Tool: <https://www.nacha.org/quick-start-tool>

Account Validation Resource Center
<https://www.nacha.org/AVResources>

New and upcoming ACH Rules and Requests for Comment (RFC) <https://www.nacha.org/OperatingRules>

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