

2020

NACHA RULES UPDATE

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2020 NACHA RULES UPDATE FOR ACH

ALSO KNOWN AS COMPLIANCE UPDATE FOR ACH ORIGINATORS

This 2020 NACHA Rules Update for ACH (“NACHA Update”) is to provide a summary description of changes to the NACHA Operating Rules & Guidelines (“NACHA Rules”). The following summaries are laid out chronologically in the order of their effective date.

Please see the summary description as to each amendment noted below. For further information we recommend you obtain a copy of the 2020 NACHA Operating Rules and Guidelines. The NACHA Rules are published annually and may be referenced or ordered at www.nacha.org. The 2020 edition of the NACHA Operating Rules & Guidelines contains changes related to these amendments. More detailed information regarding these changes may also be found at www.nacha.org. If you have any questions, please feel free to contact your Treasury Services Representative.

Increasing the Same Day ACH Dollar Limit – Effective March 20, 2020

Details:

Increases the per-transaction dollar limit for Same Day ACH transactions, both for credits and debits, to \$100,000

- Currently, Same Day ACH transactions are limited to \$25,000 per transaction
- While the current limit covers approximately 98% of ACH transactions, there are many use cases for which a higher dollar limit will better enable end users to utilize Same Day ACH. For example, a higher transaction limit would better enable:
 - B2B payments, in which only approximately 89% of transactions are currently eligible
 - Claim payments, which are often for larger dollar amounts are time sensitive in nature
 - Reversal for a larger pool of transactions, including all Same Day ACH transactions

Technical:

The following changes to technical language represent modifications to the *NACHA Operating Rules* to adjust the per-transaction dollar limit to \$100,000 for Same Day ACH entries:

- *Article Eight, Definitions of Terms, Section 8.99, Same Day Entry*
- *Appendix Three, Glossary of Data Elements, Subpart 3.2.2, Settlement Date*
- *Appendix Ten, Rules Enforcement, Subpart 10.4.6.2, ACH Rules Enforcement Panel*

Differentiating Unauthorized Return Reasons – Effective in two phases (see “[Impact](#)”)

Details:

Return Reason Code R10 is currently used for numerous types of return reasons related to various underlying errors, some of which could be corrected instead of terminating the underlying origination authorization. Going forward Return Reason Code R11 is being repurposed to be used on the return of a debit with an error, but for which an origination authorization exists. Return Reason Code R10 will continue to be used for cases where the consumer claims not to know or does not have a relationship with the Originator, or did not give an authorization for the entry. R11s and R10s will share the same processing requirements and characteristics.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules*:

- *Article One, Subsection 1.11.1, General Rule on Unauthorized Entry Fee*: Updated for inclusion of R11.

- *Article Two, Subsection 2.12.4.1, General Rule for Reinitiated Entries*: treats new corrected Entry differently than a Reinstated Entry
- *Article Two, Subsection 2.12.5, Correction of Entries Returned as R11*: permits submission of corrected Entry and prohibits submission of an uncorrectable Entry
- *Article Three, Section 3.11, RDFI Obligation to Recredit Receiver*: revised structure to accommodate for unauthorized Entries and authorized Entries not in accordance with the authorization
- *Article Three, Section 3.12, Written Statement of Authorization*: revised structure to accommodate for unauthorized Entries and authorized Entries not in accordance with the authorization
- *Article Three, Subsection 3.12.1, Unauthorized Debit Entry/Authorization for Debit Has Been Revoked*: revised structure to accommodate for unauthorized Entries and authorized Entries not in accordance with the authorization
- *Article Three, Subsection 3.12.2, Debit Entry not in Accordance with the Terms of the Authorization*: describes when R11 would be used
- *Article Three, Subsection 3.12.2.1, Improper ARC, BOC and POP Debit Entries*: minor modifications
- *Article Three, Subsection 3.12.3, Improperly Originated RCK Entry*: minor modifications
- *Article Three, Subsection 3.12.4, Form of Written Statement of Unauthorized Debit*: modifications to eliminate redundancies
- *Article Three, Subsection 3.12.6, Copy of Written Statement of Unauthorized Debit*: ODFI must request a copy of the written statement within one year of the Settlement Date of the Extended Return Entry
- *Article Eight, Section 8.111, Unauthorized Entry Fee*: updated to include R11.
- *Article Eight, Section 8.112, Unauthorized Entry Fee Return Rate*: updated to include R11.
- *Article Eight, Section 8.117, Written Statement of Unauthorized Debit*: revised structure to accommodate for unauthorized Entries and authorized Entries not in accordance with the authorization
- *Appendix Three, Subpart 3.2.2, Glossary of Data Elements, Addenda Information*: modified to strike reference to R11.
- *Appendix Four – Return Entries, Introduction*: modified to strike reference to R11.
- *Appendix Four, Subpart 4.2, Table of Return Reason Code*: revised titles and descriptions for R10 and R11.

Impact:

- The Effective Dates for this rule change are split into two phases:
 - Phase 1 –April 1, 2020: Return Code R11 should be utilized by financial institutions for its revised purpose and all other provisions in the *Rules* applying to unauthorized returns become effective as they relate to R11s
 - Phase 2 – April 1, 2021: The Unauthorized Entry Fee applies to the re-purposed R11

- ODFIs, Third Party Service Providers (TPSPs) and Third Party Senders (TPSs) may need to update their systems to accommodate the repurposed R11.
- Under an R11 return, the Originator will be able to correct certain underlying errors and submit a new Entry without being required to provide a new authorization, provided the new Entry is originated within sixty (60) days from the Settlement Date of the R11 entry.
- New corrected entries are subject to the same ODFI warranties and indemnification made under the Rules.

Supplementing Data Security Requirements – Effective in two phases (see “[Impact](#)”)

Details:

The existing ACH Security Framework including its data protection requirements will be supplemented to explicitly require large, non-FI Originators, TPSPs and TPSs to protect deposit account information by rendering it unreadable when it is stored electronically.

Implementation begins with the largest Originators and TPSPs (including TPSs) and initially applies to those with ACH volume of 6 million transactions or greater annually. A second phase applies to those with ACH volume of 2 million transactions or greater annually.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules*:

- *Article One, Section 1.6, Security requirements:* Originators, TPSPs, and TPSs are required to render electronically stored account numbers used for ACH initiation as unreadable.

Impact:

- The Effective Dates for this rule change are split into two phases:
 - Phase 1 – June 30, 2020 for Originators and Third-Parties with ACH volume greater than 6 million in 2019
 - Phase 2 – June 30, 2021 for Originators and Third-Parties with ACH volume greater than 2 million in 2020
- Implementation for those Originators and Third-Parties that currently would not be compliant
- For ODFIs, informing Originators of their direct compliance obligations
- After 2020, any Originator, TPSP or TPS originating 2 million or more Entries in any calendar year will need to comply with this rule by June 30 of the following calendar year

ACH Contact Registry – Effective in two phases (see “[Impact](#)”)

Details:

Under the new rule, all ACH financial institutions are required to register contact information for their ACH operations, fraud and risk management areas through the NACHA Risk Management Portal. The registration information is available to other registered ACH participating financial institutions (Participating DFIs), Payments Associations, ACH Operators and NACHA for use with ACH-related system outages, reversals, erroneous payments and other internal permitted uses.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules*:

- *Article One, Section 1.14, Participating DFI Contact Registration*: establishes the new registration requirement
- *Appendix Nine, Part 9.3, Participating DFI Registration Requirements*: renamed to apply to all Participating DFIs
- *Appendix Nine, Subpart 9.3.3, Participating DFI Contact Registration*: establishes NACHA’s enforcement authority
- *Appendix Nine, Subpart 9.4.7.4, Fines and Penalties*: establishes failure to register as a Class 2 rules violation

Impact:

- The Effective Dates for this rule change are split into two phases:
 - Phase 1 – July 1, 2020 – portal available for Participating DFIs to submit registration information. All registrations must be completed by October 30, 2020
 - Phase 2 – August 1, 2021 – NACHA’s enforcement authority becomes effective
- Financial institutions must update their registered information within 45 days of any change to the underlying information and must also verify their information on an annual basis
- Financial Institutions will need to make sure procedures exist to make sure registration occurs and remains up to date.

Expanding Same Day ACH – Effective March 19, 2021

Details:

Creates a third Same Day ACH processing window that expands Same Day ACH availability by 2 hours

- Currently, the latest that an ODFI can submit files of Same Day ACH transactions to an ACH Operator is 2:45 p.m. ET (11:45 a.m. PT)

- The new window will allow Same Day ACH files to be submitted until 4:45 p.m. ET (1:45 p.m. PT), providing greater access for all ODFIs and their customers
- The timing of this new processing window is intended to balance the desire to expand access to Same Day ACH through extended hours with the need to minimize impacts on financial institutions' end-of-day operations and the re-opening of the next banking day

Technical:

The precise timing of ACH file processing schedules, including this new third Same Day ACH processing window, are not set in the *Rules*, but instead are determined by each ACH Operator.

The following changes to technical language represent modifications to the *NACHA Operating Rules*:

- *Article Three, Subsection 3.3.1.2, General Rule for Availability of Credits*: to address funds availability requirements for credit Same Day Entries received in the third same-day processing window
- *Appendix Three, Glossary of Data elements, Subpart 3.2.2, Company Descriptive Date*: to include the optional indicator for Same Day ACH entries that the Originator desires to settle in the third window.

Supplementing Fraud Detection Standards for WEB Debits– Effective March 19, 2021

Details:

Currently, ACH Originators of WEB debit entries are required to use a “commercially reasonable fraudulent transaction detection system” to screen WEB debits for fraud. This existing screening requirement will be supplemented to make it explicit that “account validation” is part of a “commercially reasonable fraudulent transaction detection system.” The supplemental requirement applies to the first use of an account number, or changes to the account number. Originators will be responsible for performing account validations.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules*:

- *Article Two, Subsection 2.5.17.4, Additional ODFI Warranties for Debit WEB Entries*: makes explicit that a fraudulent transaction detection system must, at a minimum, validate the account to be debited.

Impact:

For existing WEB debit authorizations, this rule will be enforced from the implementation date.

Potential Impacts:

- Possible re-tooling of ACH Originators' fraud detection systems

- Or implementation of a system for Originators who currently do not perform any fraud detection for WEB debits
- These impacts could increase the cost of originating WEB debits for some parties
- RDFIs could receive a greater volume of ACH pre-notifications, micro-transactions, or other account validation requests
 - Some could be in lieu of receiving live-dollar transactions initially