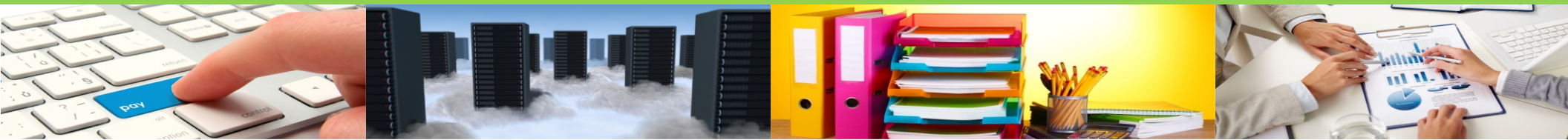




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2020 ACH RULE CHANGES AND UPDATES

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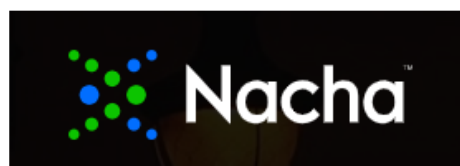
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“2020 ACH Rule Changes and Updates” discussed in this presentation is the current version with effective date of January 2020.

The comments today are my own and not necessarily those of Vizo Financial or the Vizo Financial membership.



2020 ACH RULE CHANGES AND UPDATES



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



2020 ACH RULE CHANGES AND UPDATES



The screenshot shows the NACHA website header with the logo and navigation links: Login, Store, Events, About Us, Q, Get Involved, Education, ACH, Standards, News. The main heading is "NACHA Operating Rules". Below it, a paragraph states: "The NACHA Operating Rules are the foundation for every ACH payment. By defining the roles and responsibilities of financial institutions and establishing clear guidelines for each Network participant, the Rules ensure that millions of payments occur smoothly and easily each day." Two inset images are positioned below the text: the left one shows a blurred background of ACH data fields, and the right one shows a magnifying glass over a white checkmark on a blue background.

Same Day ACH

- Recently implemented changes to Same Day ACH
- Upcoming changes to Same Day ACH



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Providing Faster Funds Availability

- Beginning on **September 20, 2019**, Same Day ACH credits received with the 1:00 p.m. ET settlement must be available to the member by **1:30 p.m.** local time.



Increasing the Same Day ACH Dollar Limit

- Currently, Same Day ACH transactions are limited to \$25,000.00 per transaction.
- Beginning on **March 20, 2020**, the per transaction limit will be increased to \$100,000.00.
 - A higher transaction limit creates more opportunity for:
 - B2B payments
 - Claim payments, which are often large dollar amounts and time sensitive
 - Reversals for a larger pool of transactions (including Same Day ACH transactions)



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 Operator for an additional two hours every business day.

- Currently, the latest that an ODFI can submit files of Same Day ACH transactions to an ACH Operator is 2:45 p.m. ET
- The new window will allow Same Day ACH transactions to be submitted to the ACH Operator until **4:45 p.m. ET**
- Interbank settlement for these entries would occur at **6:00 p.m. ET**
- Same Day ACH credits received at this time would be required to be available no later than the end of the FI's processing day

The new Same Day ACH processing window will go into effect on **March 19, 2021**.



ACH Returns

- Recently implemented changes to ACH returns
- Upcoming changes to ACH returns



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Return for Questionable Transactions

- Effective **June 21, 2019**, the R17 return reason code was repurposed to allow for the return of questionable transactions.
- An R17 return would communicate to the ODFI that the transaction was believed to be anomalous, suspicious or initiated under questionable circumstances.
- The Addenda Information field should include the word “QUESTIONABLE.”

Differentiating Unauthorized Return Reasons

- Differentiating Unauthorized Return Reasons:
 - This rule better differentiates among types of unauthorized return reasons for consumer debits.
 - This will give ODFIs and Originators clearer and better information when a customer claims that an error occurred with an authorized payment, as opposed to the customer claiming there was no authorization.
- The rule will repurpose return reason code R11 (Return a Check Truncation Entry) to be used when a receiver claims that there was an error with an otherwise authorized payment.
 - R10-Customer Advises Originator is Not Known to Receiver and/or Originator is Not Authorized by Receiver to Debit Receiver's Account
 - R11-Customer Advises Entry Not in Accordance with the Terms of the Authorization



Differentiating Unauthorized Return Reasons

- A key difference between R10 and R11 would be that with an R11 return an Originator would be permitted to correct the underlying error, if possible, and submit a new entry without being required to obtain a new authorization.
 - The new entry would be required to be originated within 60 days of the settlement date of the R11 return entry.
 - The use of a distinct return reason code enables a return that conveys this new meaning of “error” rather than “no authorization.”
- Examples of returns covered under R11:
 - Incorrect amount
 - Initiated earlier than authorized
 - Incomplete transaction
 - Improperly reinitiated

Differentiating Unauthorized Return Reasons

- R10 and R11 will both be used for consumer receivers or consumer SEC codes to non-consumer accounts.
- RDFI will still be required to obtain a written statement of unauthorized debit.
- R11 returns must be completed within 60 calendar days.
- R11 returns will be included in the Unauthorized Entry Return Rate

Differentiating Unauthorized Return Reasons

- Phase 1 (effective **April 1, 2020**)-the repurposed return code becomes effective
- Phase 2 (effective **April 1, 2021**)-the repurposed return code becomes covered by the existing Unauthorized Entry Fee

Unauthorized Entry Fee

**National Automated Clearing House Association
2019 Schedule of Fees
Unauthorized Entry Fee**

The Unauthorized Entry Fee has been established by NACHA staff effective October 3, 2016 in accordance with the requirements of the *NACHA Operating Rules*, Article One (General Rules), Section 1.11 (Unauthorized Entry Fee).

- Unauthorized Entry Fee (Effective October 3, 2016) . . \$ 4.50

ACH Operations Bulletin #3-2019: Amount of Unauthorized Entry Fee Will Remain the Same Through September 2022

MARCH 27, 2019

The rule establishing the current Unauthorized Entry Fee provides that the amount will be re-evaluated every three years, with the initial 3-year period ending on September 30, 2019. The amount of the Unauthorized Entry Fee will remain at \$4.50 per covered return during the next 3-year period, through September 30, 2022.



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Other Upcoming Changes

- Supplementing Fraud Detection Standards for WEB Debits
- Supplementing Data Security Requirements



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Supplementing Fraud Detection Standards for WEB Debits

- Currently, ACH Originators of WEB debits are required to use a “commercially reasonable fraudulent transaction detection system” to screen WEB debits for fraud.
- The existing requirement will be supplemented to make it explicit that “account validation” is part of a “commercially reasonable fraudulent transaction detection system.”
- The new requirement will apply to the first use of an account number, or changes to the account number.

Supplementing Fraud Detection Standards for WEB Debits

- Potential Impact:
 - Possible changes to ACH Originators' fraud detection systems
 - Increased cost of originating WEB debits for some parties
 - RDFIs could receive a greater volume of ACH prenotifications, micro-transactions or other account validation requests
- The rule becomes effective on **March 19, 2021**



Supplementing Data Security Requirements

- This change will supplement the existing account information security requirement for large-volume Originators and Third-Party Service Providers.
- Large non-FI Originators, Third-Party Service Providers and Third-Party Senders will be required to protect deposit account information by rendering it unreadable when it is stored electronically.



Supplementing Data Security Requirements

- Implementation will occur in two phases based on transaction volume.
 - Phase 1-**June 30, 2020** for Originators and Third-Parties with ACH volume of six million transactions or greater annually
 - Phase 2-**June 30, 2021** for Originators and Third-Parties with ACH volume of two million transactions or greater annually
- Rule does not specify a method/technology.
(i.e. Encryption, truncation, tokenization, etc.)



ACH Contact Registry



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ACH Contact Registry

- This new rule enables the creation of an industry resource by requiring the registration of contact information by all financial institutions that participate in the ACH Network.
- The ACH Contact Registry is being created for financial institutions to be able to more easily connect with each other about ACH operations, exceptions and risk management.
- The registry of financial institution contacts will be made available to registered financial institutions, the ACH Operators and Payment Associations to use in addressing and resolving ACH operations and risk management situations.
- All financial institutions participating in the ACH Network will be required to register contact information with Nacha for personnel or departments responsible for ACH operations and fraud/risk management.



ACH Contact Registry

- Registration will be completed in the Risk Management Portal.
 - Direct Access status and Third-Party Sender status are registered in the Risk Management Portal.
- The rule will become effective, and the ACH Contact Registry will become available for FIs to begin submitting contact information, on **July 1, 2020**.
- All FIs must register contact information by **October 30, 2020**.
- FIs will have to implement procedures to keep contact information up-to-date.
- Annual verification may be performed in conjunction with the annual Rules compliance audit.
- Failure to register could be considered a Rules violation after **August 1, 2021**.



Understanding and Commenting on Proposed Rules

www.nacha.org/rules/proposed



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FedNow Service



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FedNow Service

- The Federal Reserve Banks are developing a new interbank 24x7x365 real-time gross settlement (RTGS) service with integrated clearing functionality.
- The FedNow Service will help establish a safe and efficient nationwide infrastructure supporting faster payment services in the United States.
- The Federal Reserve Board anticipates the FedNow Service will be available in 2023 or 2024.

www.frbservices.org/financial-services/fednow/index.html



Questions?



Contact me with any questions or comments.

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