



2019 ACH RULE CHANGES AND UPDATES



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ENGAGE WITH US



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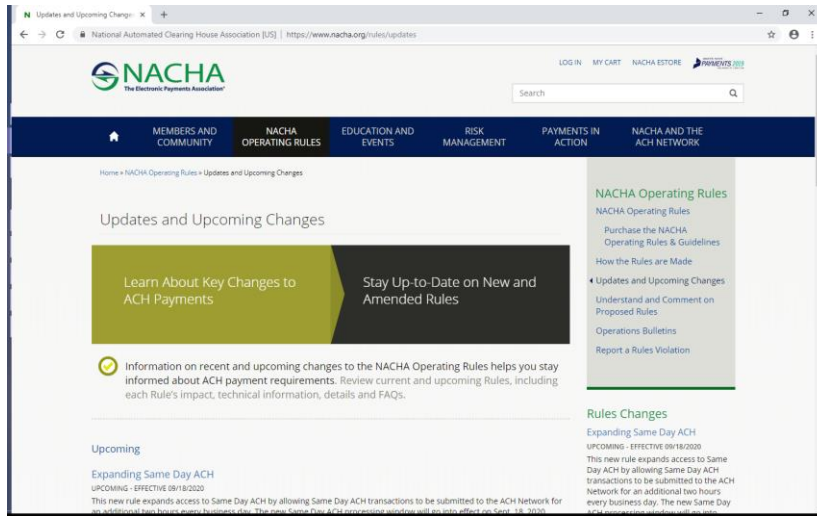
2019 ACH RULE CHANGES AND UPDATES



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



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ACH Milestone

FOR THE FIRST TIME EVER...

2 Billion ACH transactions processed in one month!

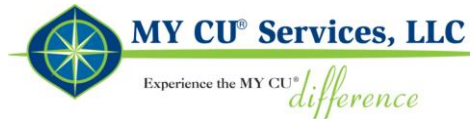
August 2018



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Same Day ACH

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



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Same Day ACH

Same Day ACH has been implemented in several phases, which started in September 2016.

- Phase 1- September 2016
- Phase 2- September 2017
- Phase 3- March 2018



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Same Day ACH

- Phase 1- **September 23, 2016**
 - Expanded the ACH Network to allow for the processing of same day ACH credits and non-monetary entries
 - Excluded IAT entries
 - Excluded transactions over \$25,000.00



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Same Day ACH

- Phase 2- **September 15, 2017**
 - Expanded the ACH Network to allow for the processing of same day ACH debits
 - Excluded IAT entries
 - Excluded transactions over \$25,000.00



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Same Day ACH

- Phase 3- **March 16, 2018**
 - Changed the requirements for availability of same day ACH credits
 - Required RDFIs to provide funds availability by 5:00 pm local time for same day ACH credits



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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.

- 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 until **4:45 p.m. ET**
- Interbank settlement for these entries would occur at **6:00 pm ET**
- Same day ACH credits received at this time would be required to be available prior to the end of the business day



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Expanding Same Day ACH

- 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
 - Final implementation of the new Same Day ACH processing window is contingent upon receiving timely notification from the Federal Reserve Board of Governors of changes to Federal Reserve services necessary to support it
 - If approval is received by June 30, 2019, then the effective date of the new SDA window would remain as balloted – **September 18, 2020**
 - If approval is received between July 1 and December 31, 2019, then the effective date would be extended by 6 months to **March 19, 2021**

The Federal Reserve process likely includes a public comment period on changes to the Federal Reserve's National Settlement Service for interbank settlement and to Fedwire Funds.



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Increasing the Same Day ACH Dollar Limit

- Currently, same day ACH transactions are limited to a \$25,000.00 limit.
- 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)



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Providing Faster Funds Availability

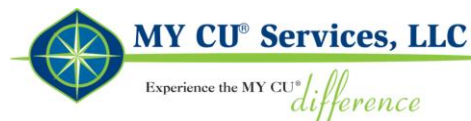
- Currently, all same day ACH credits, processed prior to the 10:00 am ET and 2:45 PM ET processing deadlines, are to be made available to the member by 5:00 pm local time.
- Beginning on **September 20, 2019**, same day ACH credits received with the 1:00 pm ET settlement must be available to the member by **1:30 pm** local time.



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Upcoming Changes

- **Return for Questionable Transactions**
- **Supplementing Data Security Requirements**
- **Supplementing Fraud Detection Standards for WEB Debits**



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Return for Questionable Transactions

- Beginning on **June 21, 2019**, RDFIs may use return reason code **R17** to return a transaction they believe was initiated under questionable circumstances.
- RDFIs using **R17** for this purpose will use the description “QUESTIONABLE” in the Addenda Information field of the return.
- The purpose of this change is to enhance quality and improve risk management within the ACH network by allowing RDFIs to indicate within a return that the original transaction was questionable or part of anomalous activity.



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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.



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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 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

Rule does not specify a method/technology.
(i.e. Encryption, truncation, tokenization, etc.)



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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.
- Effective **January 1, 2020**, this 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.



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Potential Impact

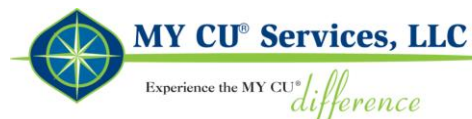
- Possible changes to ACH Originators' fraud detection systems
- Increased cost of originating WEB debits for some parties
- RDFIs could receive a greater volume of ACH prenotifications, micro-transactions or other account validation requests



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Minor Changes and Reminders

- **ACH Rules Compliance Audit Requirements**
- **Third-Party Sender Registration Reminder**



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ACH Rules Compliance Audit Requirements

- This rule changes the structure of the audit requirement within the Rules, but does not change the requirement to conduct a Rules compliance audit annually.
- It provides greater flexibility in conducting annual Rules compliance audits by changing the structure of the audit requirement within the Rules by consolidating requirements for the annual Rules compliance audit into one section and removing redundant material.
- The language changes become effective on January 1, 2019 and apply to audits required to be completed by December 31, 2019.
- Users currently using the checklist from Appendix Eight should consult the language and ensure compliance with all relevant sections of the Rules.



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Reminder

Third-Party Sender Registration

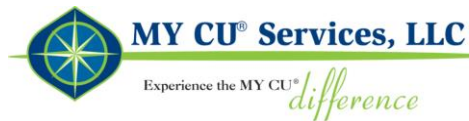
- All ODFIs **MUST** register even if you only originate one transaction
- Register with NACHA at <https://riskmanagementportal.nacha.org/Account/Login>
- You only need to register one time, unless your information changes.



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Understanding and Commenting on Proposed Rules

www.nacha.org/rules/proposed



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Questions?



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Contact me with any questions or comments.

JESSICA LELII, EFT SPECIALIST

jlelii@mycuserVICES.com

(888) 985-7280 EXT 1133



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