



2019 *ACH Rules* Update for Corporate Originators



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SAME DAY ACH UPDATES

In 2018, Same Day ACH was up-and-running in full-force! Now, it's time to tweak some rules based on lessons learned in the implementation of Same Day ACH.

While all financial institutions are required to receive Same Day ACH transactions, not all financial institutions have chosen to turn on the switch to originate Same Day ACH. Furthermore, if a financial institution is set up to originate Same Day ACH, they do not have to offer the service to all their corporate account holders. Just like not all financial institutions offer the same loans with the same parameters to all customers—neither do they offer the exact same ACH origination services to all companies. Risk tolerance, price and even availability of the services may differ depending on your financial institution. Keep in mind as you review the Same Day ACH origination updates, you may or may not be eligible to originate those transactions—check with your financial services partner.

Establish Additional Funds Availability Standards for ACH Credits

Effective September 20, 2019

If Same Day ACH transactions are sent during the day, they need to be made available to the Receiver's account by a certain time. Currently, all Same Day ACH credits need to be in consumer accounts available for withdrawal by 5:00 PM local time. However, starting September 20, 2019, Same Day ACH credits sent earlier in the day will need to be posted earlier in the day. Specifically, Same Day ACH credits received by the receiving financial institution by noon ET must be made available for cash withdrawal to the receiver by 1:30 PM local time. *Please note: these deadlines are for financial institutions to process Same Day ACH transactions. Check with your financial institution for their specific processing deadlines.*

A slight change to the *ACH Rules* also requires all traditional ACH transactions be in the Receiver's account no later than 9:00 AM local time on the date named by the Federal Reserve as the Settlement Date (you may know this as 'effective date').

Corporate ACH Originators: If your financial institution permits you to send Same Day ACH transactions, understand when the funds must be made available to your clients, so you don't over-promise. Also, ensure that you are meeting your financial institution's processing deadlines to meet the appropriate Same Day ACH deadlines.

Corporate ACH Receivers: Both ACH credit and debit transactions sent to your account will post multiple times throughout the day, typically around 9:00 AM local time, 1:30 PM local time and 5:00 PM local time. To effectively manage the cash flow, it is a good idea to monitor your accounts throughout the day.

Increase Same Day ACH Dollar Limit to \$100,000 per Transaction

Effective March 20, 2020

Currently, the per-transaction dollar limit for Same Day ACH is \$25,000. However, on March 20, 2020, that dollar limit will be raised to \$100,000 per transaction. Keep in mind, financial institutions can also set approved transaction limits for customers, so yours may be less.

Corporate ACH Originators: If your financial institution permits, you can send Same Day ACH transactions up to \$100,000. This may include larger business to business (B2B) transactions, balanced ACH files and some transactions that you are typically sending as wire transfers, usually at a lower cost.

Corporate ACH Receivers: ACH transaction and file totals sent to your account throughout the day may be larger than before. To effectively manage cash flow, it is a good idea to monitor your accounts throughout the day.

Create a Third Same Day ACH Processing Window

Effective March 19, 2021

The third part of the Same Day *ACH Rules* updates adds a third window for originating financial institutions to submit Same Day ACH transactions. In March 2021, the *ACH Rules* will allow Same Day ACH transactions to be transmitted until 4:45 PM ET. Same Day ACH transactions sent in this window will be available to receiving financial institutions by 5:30 PM ET and should be made available by the end of their processing day.

Corporate ACH Originators: If your financial institution allows, you may be able to send Same Day ACH transactions later in the day after March 2021. These transactions especially help those companies and financial institutions operating in Mountain and Pacific time zones, as well as Alaska and Hawaii.

Corporate ACH Receivers: Same Day ACH Transactions may be posting to your accounts after normal operating hours. To effectively manage cash flow, it is a good idea to monitor your accounts throughout the day.

ACH QUALITY AND RISK MANAGEMENT TOPICS

Return for Questionable Transaction

Effective June 21, 2019

Currently, the process for a receiving institution is to return an item using the R03/R04 Return Reason Code when there is an account number error. However, this current process does not give the receiving institution a specific means to let the originating company know they have reason to believe the transaction is initiated under questionable circumstances. Beginning June 21, 2019, the receiving institution may, but is not required, to use R17 to indicate that a transaction is questionable, suspicious or anomalous in some way. When returning an item as R17 due to questionable circumstances, the receiving institution must use “QUESTIONABLE” in the Addenda Information field of the return.

Corporate ACH Originators: If your company receives an ACH item back as R17 – Questionable Item – you may want to perform additional research to ensure your systems are operating properly and have not been compromised.

Corporate ACH Receivers: This rule should have little impact to Corporate ACH Receivers.

Supplementing Fraud Detection Standards for WEB Debits

Effective January 1, 2020

In an effort to help prevent fraudulent payments from being initiated through ACH over the internet, several years ago NACHA implemented a requirement for WEB Originators to implement a commercially reasonable transaction detection system. This *ACH Rule* is being updated to include “account validation” as part of the commercially reasonable fraudulent transaction detection system required when originating WEB transactions. The new *ACH Rule* does not state/require how the Originator validates an account, only that they do in fact validate it. Account numbers collected for WEB transactions prior to January 1, 2020 will not have to be re-collected using this standard.

Corporate ACH Originators: If your company originates WEB transactions through the ACH Network, you will need to make sure that you have a system in place to verify account numbers as part of your fraud detection system.

Corporate ACH Receivers: This rule should have little impact to Corporate ACH Receivers.

Supplementing Data Security Requirements

Effective June 20, 2020 or June 30, 2021 (depending on size of the Originator, Third-Party Sender or Third-Party Service Provider)

In 2013, the *ACH Rules* were amended to require Originators, Third-Party Senders, Third-Party Services Providers, originating institutions and receiving institutions to develop security measures to guard Protected ACH Data. This *ACH Rule* will be expanded for large Originators, Third-Party Senders and Third-Party Service Providers to specifically protect account numbers collected electronically. ACH Originators, Third-Party Senders and Third-Party Service Providers with ACH volume of six million transactions or greater annually must protect account numbers used in ACH origination by rendering them unreadable when stored electronically by June 30, 2020. ACH Originators, Third-Party Senders and Third-Party Services providers originating two million or greater annually have until June 30, 2021 to comply.

Corporate ACH Originators: If you are considered a ‘large’ originator, this rule applies to you. If your ACH volume exceeds the thresholds, ensure that you are adequately protecting any information you collect electronically. The account numbers must be rendered unreadable when collected and stored electronically. If you are not a large originator, you may still consider using this practice of securely storing account numbers electronically a sound business practice.

Corporate ACH Receivers: This rule should have little impact to Corporate ACH Receivers.

ACH AUDIT CHANGES

While this rule does not apply specifically to corporates, it is still important to be informed.

If you are a Third-Party Sender, we suggest you contact your financial institution to seek advice on how they plan to proceed with this *ACH Rules* change.

ACH Rules Compliance Audit Requirements

Effective January 1, 2019 (applies to audits conducted by December 31, 2019)

While this new *ACH Rule* does not change the requirement for financial institutions, Third-Party Senders and Third-Party Service Providers to conduct an annual ACH Rules Compliance Audit, it does make the specific audit requirements more open to interpretation. Article 1 of the *ACH Rules* will add the general audit requirements language that was previously in Appendix 8, such as who must complete an ACH Rules Compliance Audit, the deadline for completion and retention of proof of conducting the Audit. However, Appendix 8 of the *ACH Rules* is no more. ACH participants will no longer have a specific checklist for conducting ACH Rules Compliance Audits. They should take a more risk-based approach in auditing rules that are relevant to them as an ACH participant.

To get a copy of the *ACH Rules*, contact your financial institution or visit EPCOR's website at epcor.org.

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