epcor®

2020

ACH Rules

Update for

Corporate

Originators

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SAME DAY ACH UPDATES

In September 2018, new rules to expand the capabilities of Same Day ACH were approved for all financial institutions and their clients.

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. Keep in mind as your review these Same Day ACH origination updates, you may or may not be eligible to originate all transactions. Check with your financial services partner.

Increase Same Day ACH Dollar Limit to $100,000 Per Transaction
Effective March 20, 2020

The Same Day ACH Dollar Limit Increase rule will increase the per-transaction dollar limit from $25,000 to $100,000. Now, both Same Day ACH credits and Same Day ACH debits are eligible for same-day processing up to $100,000 per transaction. Keep in mind, financial institutions can also set approved transaction limits for clients, so for some, this may be less.

<u>Corporate ACH Originators:</u> 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. In some cases, this may mean that you are sending ACH transactions that were previously sent by other means (check, wire, etc). Work with your financial institution to ensure your daily and transaction limits are set appropriately in your ACH origination platform.

<u>Corporate ACH Receivers:</u> 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.

New Same Day ACH Processing Window
Effective March 19, 2021

The New Same Day ACH Processing Window will add 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.

<u>Corporate ACH Originators:</u> 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.

<u>Corporate ACH Receivers:</u> 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

Differentiating Unauthorized Return Reason Codes R10 and R11
Effective April 1, 2020 (Re-purposed R11 Return Code became effective)
Effective April 1, 2021 (Unauthorized Entry Fee)

Return Reason Code R10 – client advises unauthorized, improper, ineligible or part of an incomplete transaction—has traditionally been a catch-all for various types of underlying return reasons, including some for which a valid authorization exists, such as a debit on the wrong date or for the wrong amount. In these situations, there is a relationship and payment authorization between the Originator and its client (the Receiver), but the Originator made an error regarding the payment. For these cases, a return of the debit still should be made, but the Originator and the Receiver might both benefit from a correction of the error rather than more significant action, such as the termination of the origination authorization.

Under the Rule, Return Reason Code R11 has been re-purposed to be used for the return of a debit in which there is an error, but for which there is an authorization. The re-purposed description is "Customer Advises Entry Not In Accordance with the Terms of the Authorization." Return Reason Code R10 will continue to be used when a client claims he or she does not know the Originator, does not have a relationship with the Originator or did not give authorization for the entry. The description is "Customer Advises Originator is Not Known to Receiver and/or Is Not Authorized by Receiver to Debit Receiver's Account."

A key difference between R10 and R11 is that an Originator will be permitted to correct the underlying error of an R11 return, if possible, and submit a new entry without being required to obtain a new authorization. The new entry must be originated within 60 days of the settlement date of the R11 Return.

Some errors, however, cannot be corrected. Examples of uncorrected errors include if the Originator did not provide the required notice for ARC, BOC or POP entries prior to accepting the check, or the notice did not conform to the requirements of the *Rules* or the source document for an ARC, BOC or POP entry was ineligible for conversion. In these cases, the Originator will not be able to submit a new entry.

<u>Corporate ACH Originators:</u> Originators will need to be aware of the differences between returns bearing the R10 and R11 Return Reason Codes and modify their procedures accordingly.

<u>Corporate ACH Receivers:</u> This rule should have little impact on Corporate Receivers.

Supplementing Data Security Requirements
Original Effective Date Delayed
Effective June 30, 2021 (6 million or more ACH transactions in calendar year 2020)
Effective June 30, 2022 (2 million or more ACH transactions in calendar year 2021)

In 2013, the *ACH Rules* were amended to require Originators, Third-Party Senders, Third-Party Service 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. In response to a request from some covered parties for additional time to come into compliance with the *Rule* requirement, ACH Originators, Third-Party Senders and Third-Party Service Providers with ACH volume of 6 million transactions or greater annually must protect account numbers used in ACH origination by rendering them unreadable when stored electronically by June 30, 2021. ACH Originators, Third-Party Senders and Third-Party Service Providers originating 2 million or greater annually have until June 30, 2022 to comply.

<u>Corporate ACH Originators:</u> If you are considered a "large" originator, this rule applies to you. If your ACH transaction volume exceeds the thresholds listed, 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 as a sound business practice.

<u>Corporate ACH Receivers:</u> This rule should have little impact on Corporate ACH Receivers.

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

Several years ago, in an effort to help prevent fraudulent payments from being initiated through ACH over the internet, 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 an 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 the standard.

<u>Corporate ACH Originators:</u> 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.

<u>Corporate ACH Receivers:</u> This rule should have little impact on Corporate ACH Receivers.