



2015 *ACH Rules* Update for Originating Companies



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SIGNIFICANT IMPACT TO ORIGINATORS

Unauthorized Return Rates Threshold

Effective September 18, 2015

Page OR 36 - Subsection 2.17.2

Included in the *ACH Network & Risk Enforcement Rules*, this amendment reduces the return rate threshold for unauthorized return entries from 1.0 percent to 0.5 percent.

Impact to Corporate Users: Corporate Originators should keep their unauthorized returns below the 0.5 percent. The return codes included in this threshold include R05, R07, R10, R29 and R51. The *Rule* will not change the current enforcement process related to the unauthorized return rate threshold.

Administrative Return Rates Level

Effective September 18, 2015

Page OR 37 - Subsection 2.17.2.4

The *ACH Network & Risk Enforcement Rule* establishes a return rate level of 3.0 percent for all debit entries returned due to administrative or account data errors.

Impact to Corporate Users: Corporate Originators will want to maintain an Administrative Return Rate below 3 percent. The return codes included in this return rate level include R02, R03 and R04. Originators should ensure procedures for collecting authorizations with accurate information controls. Requests from the financial institution for additional information should be dealt with promptly.

Overall Return Rates Level

Effective September 18, 2015

Page OR 37 - Subsection 2.17.2.4

As part of the *ACH Network & Risk Enforcement Rule*, this amendment establishes a return rate level of 15.0 percent for all debit entries, excluding RCK entries.

Impact to Corporate Users: Corporate Originators will want to maintain an Overall Return Rate level below 15 percent, excluding RCK transactions. The return codes included in the 2015 *ACH Rules* book. Originators should ensure procedures for collecting authorizations with accurate information. Requests from the financial institution for additional information should be dealt with promptly.

Reinitiation of Entries

Effective September 18, 2015

Page OR 30 - Subsection 2.12.4.1

Page OR 30 - Subsection 2.12.4.3

Page OR 30 - Subsection 2.12.4.2

Page OR 50 - Subsection 3.12.4

Included in the *ACH Network Risk & Enforcement Rule*, this change clarifies when an entry may be reinitiated by providing common examples of reinitiated entries and explicitly prohibits improper reinitiation practices. It also requires a reinitiated entry to (1) be identified with 'RETRY PYMT' in the Company Entry Description field and (2) contain original entry information found in the Company Name, Company Identification and Amount fields.

Expands the use of return reason code R10 to include a return for a violation of the reinitiation rule since most violations are likely to be identified by an account holder after the expiration of the "two-day" return timeframe. To use R10 and the extended return timeframe, the RDFI is required to obtain a Written Statement of Unauthorized Debit.

Impact to Corporate Users: The Corporate Originator should ensure policies & procedures are in compliance with reinitiation rules. If there are programs automatically creating a reinitiated payment, the program should be modified to include the 'RETRY PYMT' description.

Unauthorized Entry Fee

Effective October 3, 2016

Page OR 4 - Section 1.11

Included in the *Improving ACH Network Quality Rule*, this amendment requires an ODFI to pay a fee to an RDFI for any ACH debit entries, with the exception of IAT debit entries, returned as unauthorized. ODFIs and RDFIs are required to authorize debits and credits to their accounts for the collection and distribution of fees. NACHA will rely on the ACH Operators to do the actual collection and distribution; therefore, fees will be reflected on the financial institution's statement from its ACH Operator. Fees will be assessed for all unauthorized returns with a Settlement Date of October 3, 2016.

Impact to Corporate Users: Corporate ACH Originators must ensure compliance with the ACH authorization requirements. The ODFI may pass the fee on the Originator.

Third-Party Clarification

Effective January 1, 2015
Page OR 34 - Subsection 2.15.3
Page OR 36 - Section 2.17.2.1

As part of the *ACH Network Risk & Enforcement Rule*, a Third-Party Sender will be required to perform due diligence with respect to its Originators, monitor origination and return activity, assess the Originator's activity and the risk it presents, enforce restrictions on the type of ACH entries being origination and to set and enforce exposure limits.

Additionally, this change requires Third-Party Senders and Third-Party Service Providers to provide proof of completion of the annual ACH Audit to its ODFI should the ODFI receive a request from NACHA. The ODFI will be responsible for providing proof to NACHA.

Impact to Corporate Users: If an organization falls under the definition of an ACH Third-Party Sender, it must perform all of its obligations under the *ACH Rules*, including due diligence with respect to its Originators and providing proof of completion of the annual ACH Audit.

Unintended Credit to a Receiver

Effective March 20, 2015
Page OR 31- Subsection 2.12.5.1
Page OR 47 - Subsection 3.8.5.2

ODFI's Right to Dishonor a Debit Return that Causes an Unintended Credit to the Receiver

The new *ACH Rule* establishes the right of an ACH Originator or its financial institution to dishonor the return of a debit entry if the return entry results in an unintended credit to the receiver because:

1. The return entry relates to a debit that was sent erroneously or is reversing an erroneous credit,
2. The ODFI has already originated a credit reversal to correct the erroneous entry, and
3. The ODFI has not received a return of that erroneous credit or credit reversal.

The amended *ACH Rule* defines a new dishonored Return Reason Code (R62 – Return of Erroneous or Reversing Debit) for this purpose.

RDFI's Right to Contest a Dishonored Return Involving an Unintended Credit to Receiver

The *Rule* also establishes the right of an RDFI to contest this type of dishonored Return if either of the following conditions exists:

1. The RDFI returned both the Erroneous Entry and the related Reversal; or
2. The RDFI is unable to recover the funds from the Receiver.

The new *ACH Rule* defines a new contested dishonored Return Reason Code (R77 – Non-Acceptance of R62 Dishonored Return) for this purpose.

Impact to Corporate Users: ACH Corporate Originators must understand the use of and be able to dishonor Returns as R62 – Return of Erroneous or Reversing Debit by March 2015.

ACH Corporate Originators must also understand the use of and be able to accept Contested Dishonored Returns as R77 – Non-Acceptance of R62 Dishonored Return.

Web Credit Entry

Effective March 20, 2015
Page OR 23 - Subsection 2.5.17

In March 2014, the *ACH Rules* were updated to provide clarity and consistency to Person-to-Person (P2P) payments, which included standard formatting making a WEB credit entry available for use, but not mandatory. Effective March 20, 2015, all P2P service providers (i.e. ODFIs or Third-Party Service Providers) are required to originate WEB credit entries for P2P payments.

Impact to Corporate Users: ACH Corporate Originators creating person-to-person transactions should ensure transactions created are sent with the WEB standard entry class code.

MINOR IMPACT TO ORIGINATORS

Formatting Requirements for Return Fee Entries

Effective January 1, 2015
Page OR 32 - Subsection 2.14.3

Requires the Individual Name field of a Return Fee Entry related to an ARC, BOC or POP entry that was returned NSF contain the same information identified within the original ARC, BOC or POP Entry. Since the Individual Name Field is optional for ARC, BOC and POP, this field in a Return Fee Entry may include (1) the Receiver's name, (2) a reference number, identification number, or code that the merchant needs to identify the particular transaction or customer or (3) may be blank.

Impact to Corporate Users: ACH Corporate Originators who create a return entry fee may send the PPD transaction with the same receiver information as contained in the original ARC, BOC or POP entry to which the return entry relates.

Prenotes and Addenda Records

Effective January 1, 2015
Page OR 72 - Part 1.4

Clarify that Addenda Records associated with a “live” entry may, but are not required to, be sent with a prenote, with the exception of IAT prenote entries. IAT prenote entries must include the seven mandatory Addenda Records, which contain Originator and Receiver details.

Impact to Corporate Users: Corporate ACH Originators may send addenda records with a prenote transaction; however, the RDFI may not pass the information on to the Receiver.

NACHA Enforcement Authority

Effective January 1, 2015
Page OR 218 - Part 10.4

Summary of ACH Rule Change: As part of the *ACH Network Risk & Enforcement Rule*, this change allows NACHA to initiate a *Rules* enforcement action, not a proceeding, when NACHA has reason to believe (e.g. received multiple reports from RDFIs and RPAs) that an ODFI is supporting multiple Originators engaged in improper authorization practices. The *ACH Rules* Enforcement Panel will be involved to validate the case before NACHA can initiate a *Rules* enforcement proceeding.

While NACHA has been given this authority, they are still reliant on participating DFIs to identify potential *Rules* violations. Therefore, under this *Rule*, RDFIs are encouraged to voluntarily provide NACHA with information related to situations that are indicative of a potential *Rules* violation. This does not mean an RDFI has to file a Report of Possible *Rules* Violation. Sharing of this information alone is not enough for NACHA to initiate an enforcement action; however, it could possibly head off improper activities more quickly. And should an enforcement proceeding transpire, NACHA could use this information during that process.

Impact to Corporate Users: With this change to the NACHA enforcement authority, the Corporate ACH Originator may be requested by its ODFI to provide information based on a request from NACHA.

NO IMPACT TO ORIGINATORS

Audit Requirements for All Participating DFIs

Effective August 22, 2014

Page OR 208 - Part 8.2 E

Requires all Participating DFIs to verify, as part of the annual ACH Audit, that entries processed as part of a direct send relationship have been reported to NACHA and annual and per-entry fees paid.

Specific Provisions for POS Entries

Effective January 1, 2015

Page OR 18 - Subsection 2.5.11.1

Align the general description and definition of a POS entry to clarify that it may be a debit or credit transaction.

Entry Detail Record for Returns - POP Entries

Effective January 1, 2015

Page OR 161 - Subpart 4.3.4

Positions 40-54 of a POP Entry Detail Record represent three separate fields to convey (1) the check serial number (positions 40-48); (2) the truncated name or abbreviation of the city or town in which the electronic terminal is located (positions 49-52); and (3) the state in which the electronic terminal is located (positions 53-54). These three fields are required to be included in the Individual Identification Number/Identification Number/Check Serial Number field in the Entry Detail Record for Return Entries.

RDFI Obligation to Recredit Receiver

Effective January 1, 2015

Page OR 48 - Section 3.11

Clarify that the RDFI must recredit a Receiver for (1) an unauthorized debit entry to a consumer account or any IAT debit entry to a non-consumer account; (2) an incomplete transaction to a consumer account or an incomplete transaction involving an ARC, BOC or POP entry to any Receiver's account; or (3) an improperly originated ARC, BOC, POP or RCK entry to any Receiver's account.