

## 2021 ACH rule amendments summary and general origination information

As part of our commitment to keeping our ACH origination customers informed of ACH rule changes, we are providing you the following summary of the NACHA Operating Rules (“ACH Rules”) amendments taking effect in 2021. This summary details the impacts of upcoming rule changes to the most common types of corporate origination services but is not intended to replace the detailed analysis needed to determine the impact these changes have on your specific organization.

### 1. Differentiating unauthorized return reasons

Phase 2 - Effective April 1, 2021

#### Summary

Phase 2 of this rule implements the addition of the R11 return reason code to the Unauthorized Entry Fee and Unauthorized Entry Return Rate rules.

#### Details

Return reason code R11 is defined as “Customer Advises Entry Not in Accordance with the Terms of the Authorization.” Effective April 1, 2020, R11 was implemented to allow the RDFI to return an entry when the originator and receiver have a relationship, and an authorization exists, but one of the following errors occurred:

- The debit entry is for an incorrect amount
- The debit entry was debited earlier than authorized
- The debit entry is part of an incomplete transaction
- The debit entry was improperly reinitiated

Originator receiving an R11-coded return can correct the underlying error and submit a new entry within 60 days using the pre-existing authorization from the receiver.

Both R10 and R11 returns are considered unauthorized under the ACH Rules, meaning:

- Both return types are subject to the same error resolution procedures under Regulation E as unauthorized EFTs
- The RDFI’s procedures to handle the receiver claim and obtain a signed Written Statement of Unauthorized Debit (WSUD) remain the same for both types of returns
- The return timeframe for both returns is 60 days
- Both returns will be included within NACHA’s definition of Unauthorized Entry Return Rate
- Both returns will be covered by NACHA’s existing Unauthorized Entry Fee
- The use of both types of returns does not include disputes about goods and services

#### Phased implementation

April 1, 2021 (Designated as Phase 2) – The re-purposed R11-coded returns are covered by the Unauthorized Entry Fee and returns will be debited/credited to ODFIs/RDFIs by their ACH Operator.

### **Originator and third-party sender impact**

Originators of consumer debits will have access to the precise reasons for the return distinguishing a Receiver's claim of error from a lack of authorization. This allows an Originator to customize their response for both types of returns. For instance, Originators may fix and resend an entry associated with an R11-coded return while obtaining a new authorization or closing the account of the receiver associated with an R10-coded return.

If, by contractual agreement, the ODFI passes on Unauthorized Entry Fee's assessed to the Originator and/or Third-Party Sender, these will begin to include any R11 return entries received.

### **Reference information**

The ACH Rules were amended to support differentiating unauthorized return reasons in the following locations:

- Article One, Subsection 1.11.1 [General Rule on Unauthorized Entry Fee](#)
- Section 8.111 definition of [Unauthorized Entry Fee](#)
- Section 8.112 definition of [Unauthorized Entry Return Rate](#)

## **2. Supplementing data security requirements**

Phase 1 – Effective June 30, 2021 ACH volume greater than 6 million

Phase 2 – Effective June 30, 2022 ACH volume greater than 2 million

### **Summary**

This rule supplements the existing account information security requirements for large-volume Originators and Third-Party Processors and Senders.

### **Details**

This rule requires non-financial institution Originators, Third-Party Service Providers and Third-Party Senders with annual ACH volume of 6 million entries or greater, to protect deposit account information by “rendering it unreadable when stored electronically.” A common solution will be to encrypt this information.

### **Originator and third-party sender impact**

Any non-financial institution Originator whose total ACH origination volume exceeds 6 million entries in calendar year 2019 and any Third-Party sender or Third-Party Service Provider whose aggregate volume exceeds this amount will be required to comply with this rule no later than June 30, 2021.

Phase 2 reduces the volume threshold to those who exceed 2 million entries in calendar year 2020 must comply with this rule no later than June 30, 2022.

### **Reference information**

This rule modifies the language within Article One, Section 1.6 [Security Requirements](#) of the ACH rules.

### **3. Limitation of warranty claims**

Effective June 30, 2021

#### **Summary**

This rule limits the length of time that an RDFI has to make a claim against an ODFI's authorization warranty.

#### **Details**

For entries to non-consumer accounts, the time limit will be one year from the settlement date of the entry.

For entries to consumer accounts, the limitation covers two time periods. The first 95 calendar days from the settlement date of the first unauthorized entry or, if outside the first 95 days, two years from the settlement date of the entry. This allows for "extenuating circumstances" in which a consumer is delayed from reporting an error to their financial institution.

#### **Originator and third-party sender impact**

The intention of this rule is to establish a more equitable allocation of liability between the Originator and Receiver. It establishes that Receivers have a responsibility to review statements and report unauthorized activity in a timely manner which helps to lessen the impact of "friendly fraud" on Originators.

### **4. Reversals and enforcement**

Reversals – Effective June 30, 2021

Enforcement – Effective January 2, 2021

#### **Summary**

Reversals – Expands the permissible reasons for a reversal to include "wrong date" error and establishes further formatting requirements beyond the use of REVERSAL in the Company Entry Description Field.

#### **Details**

Reversals – The "wrong date" error can be used for either the reversal of a debit entry that was for a date earlier than intended by the Originator, or a credit entry that was for a date later than intended by the Originator. The ACH Rules will permit an RDFI to return an improper reversal entry using either R11 or R17.

Enforcement – Allows the ACH Rules Enforcement Panel to determine the violation as egregious and classify it as a Class 2 or 3 Rules Violation. Class 3 violations can be fined up to \$500,000 per occurrence and can include a directive to the ODFI to suspend the Originator or Third-Party Sender.

#### **Originator and third-party sender impact**

Clearer and more consistent understanding of when Originators should not use reversals, particularly when it pertains to a credit file.

This rule also emphasizes the need for compliance and adherence to the proper use of reversals as penalties could result in monetary fines or, in certain egregious circumstances, impact the ability of the Originator to participate in the ACH Network.

## 5. General originator responsibilities

In addition to the new ACH Rules above, all Originators, Third-Party Senders and Third-Party Service Providers are required to comply with the general origination requirements of the ACH Rules including:

- Obtaining proper authorization from its receivers. [Subsection 2.3.1 \(Originator Must Obtain Authorization from Receiver\)](#)
- Retaining the original or copy of each written authorization of a receiver, or a readily and accurately reproducible record evidencing any other form of authorization for at least two years from the termination or revocation of the authorization. [Subsection 2.3.2.5 \(Retention and Provision of the Record of Authorization\)](#)
- Providing proper and timely notice to receivers for changes to the amount or scheduled date of recurring debits. [Subsection 2.3.2.6 \(Notices of Variable Debits to Consumer Accounts\)](#)
- The proper way to initiate prenotification entries. [Section 2.6 \(Prenotifications\)](#)
- The proper way to reverse files or entries. [Section 2.8 \(Reversing Files\)](#) and [Section 2.9 \(Reversing Entries\)](#)
- Familiarity with the proper actions to take upon receipt of a notification of change entry [Section 2.11 \(Notifications of Change\)](#)
- Familiarity with the rules pertaining to reinitiating of ACH entries. [Subsection 2.12.4 \(Reinitiation of Returned Entries\)](#)

The originator should also be aware of the provisions for the specific types of entries it originates:

- CCD (Corporate Credit or Debit) provisions are included in [Subsection 2.5.3](#)
- PPD (Prearranged Payment and Deposit) provisions are included in [Subsection 2.5.12](#)

The ACH Network and Operating Rules continue to evolve to meet the needs of businesses, governments and consumers that use the network to initiate over \$50 trillion in transaction value each year. The ACH Rules can be difficult to understand, but NACHA can assist with questions to help your company better utilize the ACH Network. You may contact [www.nacha.org/corporates](http://www.nacha.org/corporates).