

2023 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 recently or soon-to-be implemented Nacha Operating Rules (“ACH Rules”). This summary details the impacts of these 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. Third-Party Sender Roles and Responsibilities

Effective September 30, 2022

Summary

Clarification of the roles and responsibilities of Third-Party Senders by:

- Defining and establishing rules for Nested Third-Party Sender relationships
- Requiring TPSs to conduct an ACH Risk Assessment

Details

Nested Third-Party Sender-related rules:

- A Nested Third-Party Sender is defined as “a type of Third-Party Sender that has an agreement with another Third-Party Sender to act on behalf of an Originator and does not have a direct agreement with the ODFI.”
- Origination agreements between Originating Depository Financial Institutions (ODFIs) and Third-Party Senders must address whether the TPS can have Nested TPSs
- There are no limits to the number of levels in a Nested TPS arrangement

TPS Risk Assessment rules:

- All TPSs, Nested or not, are required to conduct a Risk Assessment and implement a risk management program based on their Risk Assessment

Originator and Third-Party Sender Impact

- TPSs will need to address Nested TPS relationships within their agreements
- TPSs will need to ensure they conduct an ACH Risk Assessment

Reference Information

This rule modifies the language within Article One, Section 1.2 Participating DFIs Must Comply with Rules and Article Two, Subsection 2.2.2 ODFI Agreement with Originator, Third-Party Sender, or Sending Point of the ACH rules.

2. Micro-Entries

Phase 1 – implemented on September 16, 2022

Phase 2 – effective March 17, 2023

Summary

This rule defines and standardizes the use of Micro-Entries, which can be used by Originators to validate a Receiver's account.

Details

Phase 1 defined "Micro-Entries" as "ACH credits" of less than \$1 and any offsetting ACH debits, used for the purpose of verifying a Receiver's account. It also requires the Company Entry Description of all Micro-Entries to include the word "ACCTVERIFY" and the Company Name must be readily recognizable to the Receiver and be the same or similar to the Company Name that will be used for future entries.

The total amount of the credit Micro-Entry(ies) must be equal to or greater than the value of the debit Micro-Entry(ies) must not result in a net debit to the Receiver's account and the debits and corresponding credit Micro-Entries must be sent simultaneously.

Phase 2 requires Micro-Entry Originators to use commercially reasonable fraud detection which includes monitoring forward and return Micro-Entry volumes.

Originator and Third-Party Sender Impact

This rule is designed to improve the effectiveness of the use of Micro-Entries for account validation and improve the experience of originators of Micro-Entries by standardizing the process and descriptions of Micro-Entries.

In Phase 1, Originators of Micro-Entries will need to use the Company Entry Description of "ACCTVERIFY," must send credit and corresponding debit Micro-Entries simultaneously and not originate future entries until the verification process is complete. In Phase 2, Originators will need to conduct "commercially reasonable" fraud detection for Micro-Entries which must include monitoring forward and return volumes of Micro-Entries and may also include velocity and/or anomaly monitoring.

3. 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.

4. 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:

- a. Obtaining proper authorization from its receivers. Subsection 2.3.1 (Originator Must Obtain Authorization from Receiver)
- b. 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)
- c. 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)
- d. The proper way to initiate prenotification entries. Section 2.6 (Prenotifications)
- e. The proper way to reverse files or entries. Section 2.8 (Reversing Files) and Section 2.9 (Reversing Entries)
- f. Familiarity with the proper actions to take upon receipt of a notification of change entry Section 2.11 (Notifications of Change)
- g. Familiarity with the rules pertaining to reinitiation 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 we can assist with questions to help your company better utilize the ACH Network www.nacha.org/corporates.