



A **Global Payments** Company

2021 Nacha Standards Update

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The Basics

What is ACH (Automated Clearing House)

- A nationwide electronic payment and collection network among financial institutions.
- The ACH network provides an electronic alternative to the paper-based check payment system.

What/Who is Nacha and what do they do?

- Organized in 1974 by banks to administer an interregional link among the several regional ACH associates in the U.S. and to provide a nationwide service.
- Sets and enforces the rules for ACH and educates people about the network. It does NOT operate the physical network.
- Payments Governance
- Education and Certification
- Foster Collaboration leading to Innovation

Payments Governance

Nacha brings together diverse stakeholders to develop rules and standards that foster compatibility and integration across a range of payment systems.

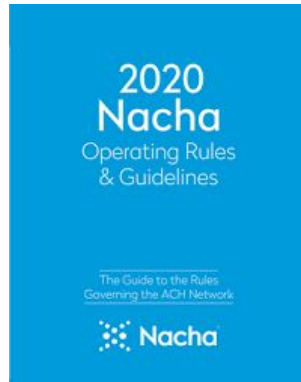
ACH Network, connecting all U.S. financial institutions, enables secure and efficient movement of money and information directly from one bank account to another. Nacha administers and facilitates private-sector Operating Rules for ACH payments, which define the roles and responsibilities of ACH Network participants.

Quest Operating Rules for Electronic Benefits Transfer (EBT) enable the distribution of government benefits regardless of state borders. Government entities incorporate the rules in their contracts with private sector service providers. Nacha administers the Operating Rules and works with all interested parties to develop additional standards for related programs.

Healthcare Electronic Funds Transfer (EFT) standard supports HIPAA-compliant transactions between health plans and providers that allow for information to travel with the payment, simplifying accounting procedures for providers. Nacha administers the standard.

New Nacha Standards in 2021

Regulatory Challenges Ahead for ACH



Account Validation

~~Jan. 1, 2020~~
March 19, 2021



End to End Encryption

June 30, 2021
June 30, 2022

Supplementing Data Security Requirements (aka Encryption)

Supplementing Data Security Requirements

Regulation Modifies Article One, Section 1.6

Large non-FI Originators, Third-Party Service Providers (TPSPs) and Third-Party Senders (TPSs) must protect deposit account information by rendering it unreadable when it is stored electronically.

Timeline

- June 30, 2021 - Originators and Third-Parties with ACH volume greater than 6 million in 2019
- June 30, 2022 - Originators and Third-Parties with ACH volume greater than 2 million in 2020



Supplementing Data Security Requirements - **Enforcement** extended to **June 2022 and June 2023**

ACH Operations Bulletin #7-2020
Nacha Provides Update on COVID-19
Relief and Upcoming Effective Dates

June 30, 2021 – Supplemental ACH Data Security. Certain ACH Originators and covered third-parties are required to implement an additional safeguard for account numbers used in ACH payments by rendering the information unreadable when stored electronically. Nacha will not enforce this rule for an additional period of one year from the effective date with respect to covered entities that are working in good faith toward compliance, but that require additional time to implement solutions. Nacha strongly encourages all such covered entities to work towards compliance as soon as possible.

Supplementing Fraud Detection Standards for WEB Debits (aka Account Validation)

Supplementing Fraud Detection Standards for WEB Debits

Regulation Modifies Article Two, Subsection 2.5.17.4

This requirement will be supplemented to make it explicit that “account validation” is part of a “commercially reasonable fraudulent transaction detection system.” The supplemental requirement applies to the first use of an account number, or changes to the account number.

Timeline

- March 19, 2021 - All web debits must be validated through pre-notifications, micro-transactions, or other account validation requests



Supplementing Fraud Detection Standards for WEB Debits

Pre-Notifications A process that involves sending zero dollar transactions through the ACH network as a test before the first live dollar transaction.

Micro-Transactions This technique involves sending a couple of small deposits (less than a dollar each) to the bank account provided by the customer. The customer bank account owner will then need to verify the amount of one or two transactions via an online website

Other Account Validation Requests Vendors that use pools of data, validation of online banking credentials, or a combination of both methods to validate account information.

- [Nacha Preferred Partner Program](#) is open to any technology solution provider whose offerings align with Nacha's strategies to advance the ACH Network.

Supplementing Fraud Detection Standards for WEB Debits - **Enforcement** extended to **March 2022**

ACH Operations Bulletin #7-2020 Nacha Provides Update on COVID-19 Relief and Upcoming Effective Dates

March 19, 2021 – Supplemental Fraud Detection for WEB Debits (i.e., Account Validation). ACH Originators are required to include account validation within a commercially reasonable fraudulent transaction detection system, for the first use of new account information. Nacha will not enforce this rule for an additional period of one year from the effective date with respect to covered entities that are working in good faith toward compliance, but that require additional time to implement solutions. Nacha strongly encourages all such covered entities to work towards compliance as soon as possible.

Supplementing Data Security Requirements - **Account Validation** clarification on “no hit” results

16. If an attempted account validation results in a “no hit” (i.e., neither a positive or a negative outcome), can an Originator initiate a WEB debit entry that to that account number and still be compliant with the Rule?

Yes. A commercially reasonable account validation method, assessed based on the factors described in the Rule and these FAQs, may include instances where a WEB debit entry is initiated even if the attempted account validation resulted in a “no hit.”



ACCOUNT VALIDATION
Frequently Asked Questions

Expanding Same Day ACH Hours

Expanding Same Day ACH Hours

Regulation Modifies Article Three, Subsection 3.3.1.1

This new rule extends the operating hours of Same Day ACH by two hours every business day. Mandatory changes for all organizations that receive payments to and from their accounts.

Timeline

March 19, 2021

- Mandatory – RDFIs must be ready to receive later Same Day ACH transactions
- Optional – Originators and Third Parties can originate Same Day ACH transactions using the later schedule



ACH Schedules and Funds Availability

| Processing Window | ODFI Deadline | RDFI Receipt Time | Settlement | Credit Funds Availability Requirement |
|----------------------------|---------------|--|--------------|---------------------------------------|
| First Same Day ACH Window | 10:30 a.m. ET | 12 noon ET | 1:00 p.m. ET | 1:30 p.m. RDFI Local Time |
| Second Same Day ACH Window | 2:45 p.m. ET | 4:00 p.m. ET | 5:00 p.m. ET | 5:00 p.m. RDFI Local Time |
| Third Same Day ACH Window | 4:45 p.m. ET | 5:30 p.m. ET | 6:00 p.m. ET | End Of Processing Day |
| Next Day ACH | 2:15 a.m. ET | Throughout banking day according to ACH Operator schedule – last file 6:00 a.m. ET | 8:30 a.m. ET | On Settlement Date |
| | | If received prior to 5:00 p.m. RDFI local time | 8:30 a.m. ET | 9:00 a.m. RDFI Local Time |



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Resources

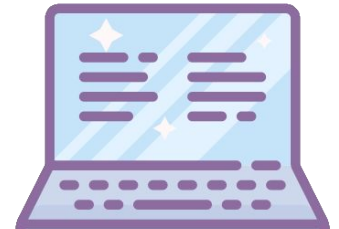
Resources

- Nacha Resources

- [Supplementing Fraud Detection Standards for WEB Debits](#)
- [Supplementing Data Security Requirements](#)
- [Account Validation Resource Center](#)
- [Account Validation FAQ](#)

- TouchNet Resources

- [Get to Know the New NACHA Anti-Fraud Rules](#)



Questions