



2021 ACH Rule Changes

The Nacha Operating Rules are continuously changing. Due to the dynamic nature of the ACH Network and its rule-making process, it is extremely important that you keep up with these changes to ensure compliant ACH operations. The following are amendments to the Nacha Operating Rules that have been approved by the National Automated Clearing House Association (Nacha) membership.

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Revisions to the Nacha Operating Rules

The 2021 edition of the Nacha Operating Rules & Guidelines contains changes related to the following amendments:

- Enforcement (effective January 1, 2021)
- New Same Day ACH Processing Window (effective March 19, 2021)
- Supplementing Fraud Detection Standards for WEB Debits (effective March 19, 2021)
- Differentiating Unauthorized Return Reasons (Phase 2 effective April 1, 2021)
- ACH Contact Registry (Phase 2 effective April 1, 2021)
- Supplementing Data Security Requirements (Phase 1 effective June 30, 2021)
- Limitation on Warranty Claims (effective June 30, 2021)
- Reversals (effective June 30, 2021)
- Meaningful Modernization (effective September 17, 2021)

This Revisions section provides a summary of the key components and technical changes to Rules language of each change.

This section also includes a technical summary of the changes to the Rules that were implemented in 2020. The text changes were officially communicated via Supplements, but they are summarized here for reference. Please note that since these changes are already effective, they are not marked within the text of the Rules.

Enforcement

SUMMARY

The Enforcement rule change defines an egregious violation within the context of rules enforcement as:

1. A willful or reckless action by a Participating DFI, Originator, Third-Party Service Provider, or Third-Party Sender; and
2. One that involves at least 500 Entries or involves multiple Entries in the aggregate amount of at least \$500,000.

The Enforcement Rule allows the ACH Rules Enforcement Panel to determine whether a violation is egregious, and to classify whether an egregious violation is a Class 2 or Class 3 rules violation. The rule expressly authorizes Nacha to report Class 3 rules violations to the ACH Operators and to federal and state banking, consumer protection, and other appropriate regulators and agencies.

IMPACT TO PARTICIPANTS

ODFIs and RDFIs: Participating DFIs should be aware of the changes to Nacha's enforcement capabilities. They should consider updating and educating their customers on the changes to and potential impacts of the enforcement process.

EFFECTIVE DATE

The Enforcement Rule is effective on January 1, 2021.

TECHNICAL SUMMARY

Below is a summary of the impact of the Enforcement Rule on the Nacha Operating Rules. As the Rule is effective on January 1, 2021, sections of the Rules that are affected by this amendment are included in the body of the Rules, but are not marked with highlighting and italics.

- *Appendix Nine, Part 9.1 (Scope)* – Updated to include egregious violations under the scope of the rules enforcement procedures.
- *Appendix Nine, Subpart 9.4.1 (Initiation of a Rules Enforcement Proceeding)* – Expanded to define egregious violations and provide Nacha with the authority to initiate rules enforcement proceedings for such violations.
- *Appendix Nine, Subpart 9.4.3 (Submission Requirements for Rules Enforcement Proceedings Initiated by the National Association)* – Expanded to include egregious violations as a reason for Nacha to initiate a rules enforcement proceeding.
- *Appendix Nine, Subpart 9.4.4 (Assessment of Rules Enforcement Submission)* – Modified to include Class 3 Rules violations.
- *Appendix Nine, Subpart 9.4.4.1 (Notice of Possible ACH Rules Violation)* – Updated to exclude egregious violations from the notice process for first infractions of the Rules.
- *Appendix Nine, Subpart 9.4.6.2 (Responsibilities of Enforcement Panel)* – Expanded to add egregious violations to the list of issues over which the ACH Rules Enforcement Panel has final authority.
- *Appendix Nine, Subpart 9.4.7.4 (Class 2 Rules Violation)* – Modified to add egregious violations to the description of Class 2 Rules Violations.
- *Appendix Nine, Subpart 9.4.7.5 (Class 3 Rules Violation)* – Expanded to add egregious violation to the description of Class 3 violations and to state that Class 3 Rules Violations may result in a monthly fine to the ODFI for each offending Originator, Third-Party Service Provider, or Third-Party Sender.

New Same Day ACH Processing Window

SUMMARY

The New Same Day ACH Processing Window rule will create a new processing window that will enable ODFIs and their customers to originate same-day transactions for an additional two hours each banking day. The new window will allow Same Day ACH files to be submitted to the ACH Operators until 4:45 p.m. ET (1:45 p.m. PT). RDFIs will receive files from this third window by 5:30 p.m. ET (2:30 p.m. PT), with interbank settlement occurring at 6:00 p.m. ET (3:00 p.m. PT).¹ RDFIs will need to make funds available for credits processed in the new window by the end of their processing for that Settlement Date. All credits and debits, and all returns, will be eligible to be settled in the new Same Day ACH window, with the exception of International ACH Transactions (IATs), Automated Enrollment Entries (ENRs), and forward entries in excess of the per-transaction dollar limit.

IMPACT TO PARTICIPANTS

Originators, Third-Party Senders and Third-Party Service Providers: These ACH participants should discuss with their financial institutions whether using the third Same Day ACH window is appropriate for their businesses.

ODFIs: ODFIs will need to determine with their Originators whether to implement origination in the third Same Day window. ODFIs will need to update their internal processing applications and procedures to accommodate returns processed in the last window.

RDFIs: RDFIs will need to update their internal processing applications and procedures to accommodate receiving late-window Same Day ACH files and sending late-window returns. RDFIs will also need to provide availability for credits received in this window by the end of their processing for that Settlement Date.

Receivers: Receivers, particularly non-Consumer Receivers, should be prepared to receive ACH debits and credits later in the day. These participants should review their internal procedures to determine whether any changes are required.

EFFECTIVE DATE

The New Same Day ACH Processing Window rule was originally expected to become effective on September 18, 2020. Final implementation of the rule was contingent upon changes to Federal Reserve services necessary to support the new window. To accommodate the Federal Reserve Board, the effective date has been extended. The new effective date for this rule is March 19, 2021.

TECHNICAL SUMMARY

Below is a summary of the impact of the New Same Day ACH Processing Window rule on the Nacha Operating Rules. Sections of the Rules affected by this amendment are marked with highlighting and italics in the body of the Rules text.

- *Article Three, Subsection 3.3.1.2 (Availability of Credit That Are Same Day Entries)* – Updates language to address funds availability of third window same day credits.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements) Company Descriptive Date* – Updates language to describe an additional optional indicator for third window same day processing.

¹The specific ACH Operator processing schedules are not determined by the Nacha Operating Rules, but are believed to be accurate with respect to ACH Operator intentions.

Supplementing Fraud Detection Standards for WEB Debits

SUMMARY

With the implementation of the Supplementing Fraud Detection Standards for WEB Debits rule, the current requirement to screen WEB debits for fraud will be enhanced to make it explicit that “account validation” is part of a “commercially reasonable fraudulent transaction detection system.” The supplemental requirement will apply to the first use of an account number, or changes to the account number. For existing WEB debit authorizations, the rule will be effective on a going forward basis. Originators will have to perform account validations as there are updates to account numbers in existing authorizations.

IMPACT TO PARTICIPANTS

Originators: Originators of WEB debits may need to re-tool their ACH fraud detection systems to comply with the rule. Those Originators of WEB debits that do not currently perform any fraud detection will need to implement a system to do so.

RDFIs: RDFIs may receive a greater volume of ACH prenotification, micro-transactions, or other account validation requests.

EFFECTIVE DATE

The original effective date of the rule was January 1, 2020. However, to in response to industry needs for additional time to implement the rule, the Nacha Board of Directors approved an extension of the effective date of this rule. The new effective date is March 19, 2021.

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.

TECHNICAL SUMMARY

Below is a summary of the impact of the Supplementing Fraud Detection Standards for WEB Debits rule on the Nacha Operating Rules. Sections of the Rules affected by this amendment are marked with highlighting and italics in the body of the Rules text.

- *Article Two, Subsection 2.5.17.4 (Additional ODFI Warranties for Debit WEB Entries)* – Adds text to make explicit that a fraudulent transaction detection system must, at a minimum, validate the account number to be debited.

Differentiating Unauthorized Return Reasons (Phase 2)

SUMMARY

Under Phase 1 of the Differentiating Unauthorized Return Reasons Rule, Return Reason Code R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization) was re-purposed to be used for the return of a debit in which there is an error, but for which there is an authorization. R11 returns have the same processing requirements and characteristics as R10 returns, and are considered unauthorized under the Rules.

With the implementation of Phase 2 of the Rule, the existing Unauthorized Entry Fee will apply to ACH debit entries that are returned bearing Return Reason Code R11. This part of the Rule will be implemented by the ACH Operators, and as with the current fee, will be billed/credited on financial institutions' monthly statements of charges.

IMPACT TO PARTICIPANTS

ACH Operators: ACH Operators will need to update their systems to accommodate the application of Unauthorized Entry Fees.

EFFECTIVE DATE

Phase 2 of the Differentiating Unauthorized Return Reasons Rule will become effective on April 1, 2021.

TECHNICAL SUMMARY

Below is a summary of the impact of the Differentiating Unauthorized Return Reasons Rule (Phase 2) on the Nacha Operating Rules. Sections of the Rules affected by this amendment are marked with highlighting and italics in the body of the Rules text.

- *Article One, Subsection 1.11.1 (General Rule on Unauthorized Entry Fee)* – updated to include Return Reason Code R11.
- *Article Eight, Section 8.111 (Unauthorized Entry Fee)* – updated to include R11.

Limitation on Warranty Claims

SUMMARY

Under the current Nacha Rules, an ODFI warrants that an ACH entry has been properly authorized by the Receiver. The Rules allow extended returns for unauthorized entries for limited periods, but do not establish a time limit on the ODFI's warranties. That time limit is determined by statutes of limitations, which vary from state to state, and can be as long as ten years.

The Limitation on Warranty Claims Rule (the Rule) will limit the length of time an RDFI is permitted to make a claim against the ODFI's authorization warranty.

For an entry to a non-consumer account, an RDFI may make a claim for one year from the Settlement Date of the entry. This time frame is analogous to the one-year rule in UCC 4-406 that applies to checks and items charged to bank accounts.

For an entry to a consumer account, the limit will cover two time periods:

1. The RDFI may make a claim for two years from the Settlement Date of the Entry. This time period is longer than the one-year period in EFTA and allows for additional time for extenuating circumstances.

(In other words, the RDFI can make a claim for unauthorized debits settling within the most recent two years from the date of the RDFI's claim.)

2. Additionally, an RDFI may make a claim for entries settling within 95 calendar days from the Settlement Date of the first unauthorized debit to a consumer account. The 95-day time period is designed to allow RDFIs to make claims for all cases where they may be liable to their consumer customers under Regulation E, which requires a consumer to report unauthorized transfers within 60 days of the financial institution's transmittal of a statement to avoid liability for subsequent transfers.

IMPACT TO PARTICIPANTS

Originators and ODFIs: Originators and ODFIs should see a reduction in claims that fall outside the time periods established by the new Rule, and may see liability for some older transactions shift to RDFIs and Receivers.

RDFIs: RDFIs should examine their processes for handling claims for unauthorized transactions. They may need to make changes to ensure that they only claim entries settling within the time periods permissible under the Rules.

Receivers: Receivers should review their statements and report unauthorized activity in a timely manner.

EFFECTIVE DATE

The Rule will be effective on June 30, 2021.

TECHNICAL SUMMARY

Below is a summary of the impact of the Limitation on Warranty Claims rule on the Nacha Operating Rules. Sections of the Rules affected by this amendment are marked with highlighting and italics in the body of the Rules text.

- *Article One, Section 1.15 (Limitation of Claims Based on Unauthorized Entries)* – New section establishes the limitation on warranty claims for consumer and non-consumer accounts.

Supplementing Data Security Requirements

SUMMARY

The Supplementing Data Security Requirements rule expands the existing ACH Security Framework to explicitly require large, non-financial institution Originators, Third-Party Service Providers, and Third-Party Senders to protect account numbers used in the initiation of ACH entries by rendering them unreadable when stored electronically. The rule aligns with existing language contained in PCI requirements, thus industry participants are expected to be reasonably familiar with the manner and intent of the requirement.

The rule applies only to account numbers collected for or used in ACH transactions and does not apply to the storage of paper authorizations. The rule also does not apply to depository financial institutions when acting as internal Originators, as they are covered by existing FFIEC and similar data security requirements and regulations.

Implementation of the Supplementing Data Security Requirements rule will begin with the largest Originators, Third-Party Service Providers, and Third-Party Senders and will initially apply to those with ACH volume of 6 million transactions or greater annually. A second phase will apply to those with ACH volume of 2 million transactions or greater annually.

IMPACT TO PARTICIPANTS

ODFIs: ODFIs will need to inform their Originators, Third-Party Service Providers and Third-Party Senders of their direct compliance obligation with respect to the rule.

Originators, Third-Party Service Providers, and Third-Party Senders: Any of these ACH Network participants that are not currently compliant with the rule will need to implement changes to bring their systems into compliance.

EFFECTIVE DATE

The original effective dates for Phases 1 and 2 of the Rule were June 30, 2020 and June 30, 2021, respectively. In response to requests from some covered parties for additional time to come into compliance with the Rule requirements, Nacha is extending each of the two effective dates by one year:

- Phase 1 of the Rule, which applies to ACH Originators and Third-Parties with more than 6 million ACH payments annually, is now effective on June 30, 2021.
- Phase 2 of the Rule, which applies to ACH Originators and Third-Parties with more than 2 million ACH payments annually, is now effective on June 30, 2022.

Covered parties are urged to become compliant with the new Rule as soon as circumstances permit, but no later than these new effective dates.

Going forward after calendar year 2021, any Originator, Third-Party Service Provider, or Third-Party Sender that originates 2 million or more ACH transactions in any calendar year will need to be compliant with the rule by June 30 of the following calendar year.

TECHNICAL SUMMARY

Below is a summary of the impact of the Supplementing Data Security Requirements rule on the Nacha Operating Rules. Sections of the Rules affected by this amendment are marked with highlighting and italics in the body of the Rules text.

- *Article One, Section 1.6 (Security Requirements)* – Adds text to require Originators, Third-Party Service Providers, and Third-Party Senders to render unreadable account numbers used for ACH initiation when those numbers are stored electronically.

Reversals

SUMMARY

Currently, the Rules define a limited number of permissible reasons for Reversing Entries; however, they do not explicitly address improper uses of reversals. The Reversals Rule will specifically state that the initiation of Reversing Entries or Files for any reason other than those explicitly permissible under the Rules is prohibited. The Reversals Rule will also explicitly define within the Rules non-exclusive examples of circumstances in which the origination of Reversals is improper. Specifically:

- The initiation of Reversing Entries or Files because an Originator or Third-Party Sender failed to provide funding for the original Entry or File; and
- The initiation of a Reversing Entry or File beyond the time period permitted by the Rules.

The Reversals Rule will also:

- Establish additional formatting requirements for reversals in which the Company ID/Originator ID, SEC Code and Amount fields of the Reversing Entry must be identical to the original entry. The Rule will also require the name of the Originator to reflect the same Originator identified in the Erroneous Entry to which the Reversal relates. (Minor variations to the Originator's name will be permissible for accounting or tracking purposes as long as the name remains readily recognizable to the Receiver.) The contents of other fields may be modified only to the extent necessary to facilitate proper processing of the reversal.
- Explicitly permit an RDFI to return an improper reversal. Upon receiving a consumer claim, an RDFI may return an improper Reversing Entry using Return Reason Code R11. The RDFI will need to obtain a Written Statement of Unauthorized Debit from the consumer Receiver and return the entry in such time that it is made available to the ODFI no later than the opening of business on the banking day following the sixtieth (60th) calendar day following the Settlement Date of the improper Reversing Entry.

An RDFI may return an improper Reversing Entry to a Non-Consumer account by using Return Reason Code R17. These returns will need to be made in such time as to be made available to the ODFI no later than the opening of business on the second Banking Day following the Settlement Date of the improper Reversing Entry. RDFIs will also be permitted to use R17 to return an improper reversal that it identifies without customer contact within the same 2-day return timeframe.

- Expand the permissible reasons for a Reversing Entry to include an error in the effective entry date. These will include the reversal of a debit entry that was for a date earlier than intended by the Originator and the reversal of a credit entry that was for a date later than intended by the Originator.

IMPACT TO PARTICIPANTS

Originators, Third-Party Senders, ODFIs: Originators, Third-Party Senders and ODFIs may want to review their practices, policies and controls regarding the proper use and formatting of reversals.

RDFIs: RDFIs that want to take advantage of the return process should review policies and practices to facilitate the return of an improper reversal.

EFFECTIVE DATE

The Reversal Rule will become effective on June 30, 2021.

TECHNICAL SUMMARY

Below is a summary of the impact of the Reversals Rule on the Nacha Operating Rules. Sections of the Rules affected by this amendment are marked with highlighting and italics in the body of the Rules text.

- *Article Two, Section 2.9.1 (General Rule for Reversing Entries)* – Clarifies that an ODFI may originate a Reversing Entry as well as an Originator. Updated to include the new reason of an incorrect effective entry date.
- *Article Two, Subsection 2.9.2 (Formatting Requirements for Reversing Entries)* – New subsection to address new formatting requirements.
- *Article Two, Subsection 2.9.5 (Improper Reversing Entries)* – New subsection to provide examples of improper Reversing Entries.
- *Article Two, Subsection 2.12.5 (Correction of Entries Returned as R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization))* – Updated to state that improperly-initiated Reversing Files or Reversing Entries are not correctable.
- *Article Three, Subsection 3.12.2 (Debit Entry Not in Accordance with the Terms of the Authorization)* – Updated to include improperly-initiated reversals.
- *Article Three, Subsection 3.12.2.4 (Improperly-Initiated Reversal)* – New subsection to provide examples of improperly-initiated reversals.
- *Article Eight, Section 8.38 (Erroneous Entry)* – Updated to include an error related to an incorrect effective entry date.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – “Amount” description updated to reflect new formatting requirements for reversals.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – “Company Identification” description updated to reflect new formatting requirements for reversals.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – “Company Name” description updated to reflect new formatting requirements for reversals.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – “Originator Identification” description updated to reflect new formatting requirements for reversals.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – “Originator Name” description updated to reflect new formatting requirements for reversals.
- *Appendix Four, Part 4.2 (Table of Return Reason Codes)* – Updated to reflect expanded uses of R11 and R17 to return improperly-initiated reversals.

ACH Contact Registry (Phase 2)

SUMMARY

With the implementation of the first phase of the ACH Contact Registry Rule, all ACH Participating Depository Financial Institutions are required to register contact information for their ACH operations and fraud and/or risk management areas. Registration is done via Nacha's Risk Management Portal. Phase 1 became effective on July 1, 2020, the date on which the registration portal was opened for Participating DFIs to begin to submit and query contact information. All Participating DFIs were required to complete their registration by October 30, 2020.

Under Phase 2, Nacha's enforcement authority for the Rule becomes effective. ACH Participating Depository Financial Institutions that do not register their contact information with Nacha may be subject to a rules enforcement proceeding and fines at the Class 2 violation level.

IMPACT TO PARTICIPANTS

ODFIs and RDFIs: ODFIs and RDFIs will be required to register contact information with Nacha, and keep that information up to date. ODFIs and RDFIs will have to establish procedures to ensure that their contact registry information stays current. Financial institutions will need to determine contact information for the purpose of registration and how to route inquiries internally. All ODFIs and RDFIs will need to consider and address the circumstances under which they will use the registry, as well as how to handle and respond to any inquiries they receive.

EFFECTIVE DATE

Phase 2 of the ACH Contact Registry rule will become effective on August 1, 2021.

TECHNICAL SUMMARY

Below is a summary of the impact of the ACH Contact Registry rule on the Nacha Operating Rules. Sections of the Rules affected by this amendment are marked with highlighting and italics in the body of the Rules text.

- *Appendix Nine, Part 9.3 (Participating DFI Registration Requirements)* – Renames this part to apply to all Participating DFIs.
- *Appendix Nine, Subpart 9.3.3 (Participating DFI Contact Registration)* – New subsection establishes Nacha's enforcement authority with respect to the Rule.
- *Appendix Nine, Subpart 9.4.7.4 (Fines and Penalties)* – Includes the failure of a Participating DFI to provide registration information within the definition of a Class 2 rules violation.

Meaningful Modernization

The five amendments comprising Meaningful Modernization are designed to improve and simplify the ACH user experience by facilitating the adoption of new technologies and channels for the authorization and initiation of ACH payments; reducing barriers to use of the ACH Network; providing clarity and increasing consistency around certain ACH authorization processes; and reducing certain administrative burdens related to ACH authorizations.

Specifically, the five Rules will

- explicitly define the use of standing authorizations for consumer ACH debits;
- define and allow for oral authorization of consumer ACH debits beyond telephone calls;
- clarify and provide greater consistency of ACH authorization standards across payment initiation channels;
- reduce the administrative burden of providing proof of authorization; and
- better facilitate the use of electronic and oral Written Statements of Unauthorized Debit.

All Meaningful Modernization Rules will be effective September 17, 2021.

Each topic within the group of rules comprising the Meaningful Modernization changes is listed separately below. The Technical Summary of rules sections affected by each change summarizes the impact of that specific change only, and does not reflect the impact of other amendments impacting the same rules section. Please note that, when these changes are applied in their entirety, the resulting new rules language that is marked with highlighting and italics within the body of the 2021 Nacha Operating Rules may not fully align with these Technical Summaries.

STANDING AUTHORIZATIONS

Summary

The current authorization framework for consumer ACH debits encompasses recurring and single payments. Recurring payments occur at regular intervals, with no additional action required by the consumer to initiate the payment, and are for the same or a similar amount, for example, a monthly mortgage payment or utility bill. A single entry is a one-time payment, and can be between parties that have no previous relationship, such as in a purchase; or between parties that can have a relationship, but the payment is not recurring, such as single payment on a credit card account. ACH Originators that have, or want to use, a different model for ongoing commerce do not have specific rules for payments that are a hybrid, falling somewhere in between recurring and single entries. By defining a Standing Authorization, the Rule will fill the gap between single and recurring payments, and enable businesses and consumers to make more flexible payment arrangements for relationships that are ongoing in nature.

The Standing Authorizations Rule (the Rule) will define a standing authorization as an advance authorization by a consumer of future debits at various intervals. Under a Standing Authorization, future debits would be initiated by the consumer through further actions. The Rule will allow for Originators to obtain Standing Authorizations in writing or orally. The Rule also defines Subsequent Entries, which will be individual payments initiated based on a Standing Authorization. Subsequent Entries will be able to be initiated in any manner identified in the Standing Authorization.

The Rule will allow Originators some flexibility in the use of consumer Standard Entry Class (SEC) Codes for individual Subsequent Entries. Originators will be able to use the TEL or WEB SEC Codes for Subsequent Entries when initiated by either a telephone call or via the Internet/wireless network, respectively, regardless of how the Standing Authorization was obtained. In these cases, the Originator will not need to meet the authorization requirements of TEL or WEB, but will need to meet the risk management and security requirements associated with those SEC Codes.

In addition, the Rule will allow for optional formatting so an Originator may, at its discretion, identify an entry as having been originated under the terms of a Recurring, Single-Entry or Standing Authorization. The standard code

values will be “R” for Recurring, “S” for Single-Entry, and “ST” for Standing Authorization. An Originator may choose to include these values in the Payment Type Code Field of a TEL or WEB entry or the Discretionary Data Field of a PPD entry. In order to accommodate this option, the Rule will remove the existing requirement that TEL and WEB entries must be identified as either Recurring or Single Entries, and will designate the Payment Type Code as an optional field. However, Originators may continue to use the Payment Type Code field to include any codes that are meaningful to them, including “R,” “S,” or “ST.”

Impact to Participants

Originators: Originators may choose to use Standing Authorizations and Subsequent Entries, but will not be required to do so. Those Originators that want to use this authorization method may need to modify or add to their authorization practices and language.

ODFIs: Since some volume of Subsequent Entries may have a different SEC Code than under the existing rules, ODFIs should prepare for a potential impact on the application of risk management practices specific to SEC Codes and on the tracking of SEC Code volume, returns and return rates.

Technical Summary

Below is a summary of the impact of the Standing Authorizations rule on the Nacha Operating Rules.

- *Article Two, Subsection 2.3.2.4 (Standing Authorization for Debit Entries to Consumer Accounts)* – New section defines additional authorization requirements for Standing Authorizations and Subsequent Entries.
- *Article Two, Subsection 2.3.2.6 (Retention and Provision of the Record of Authorization)* – Updated for Standing Authorizations.
- *Article Two, Subsection 2.5.15.1 (General Rule for TEL Entries)* – Modified to specify use for telephone calls.
- *Article Two, Subsection 2.5.15.2 (Use of TEL Standard Entry Class Code for Subsequent Entries)* – New subsection to allow TEL for Subsequent Entries.
- *Article Two, Subsection 2.5.17.1 (General Rule for WEB Entries)* – Modified to broaden use for authorizations communicated via the Internet or a Wireless Network.
- *Article Two, Subsection 2.5.17.2 (Use of WEB Standard Entry Class Code for Subsequent Entries)* – New subsection to add WEB for Subsequent Entries.
- *Article Three, Subsection 3.12.2 (Debit Entry Not in Accordance with the Terms of the Authorization)* – Updated to include Standing Authorization.
- *Article Eight, Section 8.55 (Internet-Initiated/Mobile Entry or WEB Entry or WEB)* – Expanded to address Standing Authorizations and Subsequent Entries.
- *Article Eight, Section 8.105 (Standing Authorization)* – New section to add Standing Authorization to Defined Terms.
- *Article Eight, Section 8.106 (Subsequent Entry)* – New section to add Subsequent Entry to Defined Terms.
- *Article Eight, Section 8.107 (Telephone-Initiated Entry or TEL Entry or TEL)* – Expanded to address Standing Authorizations and Subsequent Entries.
- *Appendix Three, Subpart 3.1.22 (Sequence of Records for WEB Entries)* – Updated to allow for optional Payment Type Code use for Subsequent Entries.

- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – “Discretionary Data” updated to allow for optional formatting.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – “Payment Type Code” updated to remove required use and allow for optional formatting.
- *Appendix Four, Subpart 4.2 (Table of Return Reason Codes)* – Updated to allow use of Return Reason Code R11 to return Subsequent Entries.

ORAL AUTHORIZATIONS

Summary

Currently, the authorization language in the Nacha Operating Rules does not provide for oral authorizations of an ACH payment outside of a telephone call. Only the Telephone-Initiated Entry (TEL) Standard Entry Class Code has requirements to address the risks specific to an oral authorization. The Oral Authorizations rule (the Rule) will define and allow Oral Authorizations as a valid authorization method for consumer debits distinct from a telephone call. Enabling the broader use of Oral Authorizations will allow businesses to adopt ACH payments in transactional settings that make use of verbal interactions and voice-related technologies. The Rule will not change how existing TEL transactions are used and authorized.

Under the Rule, any oral authorization obtained via any channel will need to meet the requirement of an Oral Authorization. An Oral Authorization obtained over the Internet that is not a telephone call also will need to meet the risk and security requirements that currently apply to Internet-Initiated/Mobile (WEB) Entries, and will use the WEB Standard Entry Class Code. The Rule will allow for Standing Authorizations to be obtained orally. In addition, the Rule will allow for Subsequent Entries initiated under a Standing Authorization to be initiated through voice commands, instructions, or affirmations.

Impact to Participants

Originators: Originators may choose to use the expanded applicability of Oral Authorizations, but will not be required to do so. Those Originators that want to use Oral Authorizations will need to modify or add to their authorization practices and language to ensure they meet all of the requirements for Oral Authorizations. Originators may find that their digital storage needs will be impacted by using Oral Authorizations.

ODFIs: Since some volume of existing TEL volume may migrate to WEB, ODFIs should prepare for a potential impact on the application of risk management practices specific to SEC Codes and on the tracking of SEC Code volume, returns and return rates.

RDFIs: RDFIs should have no impacts to their receipt and posting of entries.

Technical Summary

Below is a summary of the impact of the Oral Authorizations rule on the Nacha Operating Rules.

- *Article Two, Subsection 2.3.2.4 (Oral Authorization for Debit Entries to Consumer Accounts)* – New section defines additional authorization requirements for Oral Authorizations.
- *Article Two, Subsection 2.3.2.6 (Retention and Provision of the Record of Authorization)* – Updated for Standing Authorizations.
- *Article Two, Subsection 2.5.15.1 (General Rule for TEL Entries)* – Modified to allow Oral Authorizations and specify use for telephone calls.

- *Article Two, Subsection 2.5.15.2 (Authorization of TEL Entries)* – Modified to add Oral Authorization requirements for TEL entries.
- *Article Two, Subsection 2.5.15.3 (Retention of the Record of Authorization for TEL Entries)* – This section will be removed from the Rules.
- *Article Two, Subsection 2.5.15.5 (Rules Exceptions for TEL Entries)* – This section will be removed from the Rules.
- *Article Two, Subsection 2.5.17.1 (General Rule for WEB Entries)* – Modified to allow Oral Authorizations and maintain the exception for those communicated via telephone call.
- *Article Two, Subsection 2.5.17.2 (Authorization of Debit WEB Entries)* – Modified to eliminate the requirement for a written authorization; allow Oral Authorizations; and maintain the exclusion for Oral Authorizations communicated via telephone call.
- *Article Eight, Section 8.55 (Internet-Initiated/Mobile Entry or WEB Entry or WEB)* – Modified to allow Oral Authorizations and maintain the exception for those communicated via telephone call.
- *Article Eight, Section 8.64 (Oral Authorization)* – New section to add Oral Authorization to Defined Terms.
- *Article Eight, Section 8.106 (Telephone-Initiated Entry or TEL Entry or TEL)* – Modified to limit use to Oral Authorizations obtained via a telephone call.

OTHER AUTHORIZATION ISSUES

Summary

In conjunction with the rules on Standing Authorizations and Oral Authorizations, Meaningful Modernization includes the Other Authorization Issues rule (the Rule), which covers other modifications and re-organizations of the general authorization rules for clarity, flexibility and consistency.

Clarity

- The Rule will re-organize the general authorization rules to better incorporate Standing Authorizations, Oral Authorizations, and other changes.
- The Rule will define “Recurring Entry” to complement the existing definition of Single Entry and the new definition of Subsequent Entry and to align with term in Regulation E.

Flexibility

- The Rule will explicitly state that authorization of any credit entry to a consumer account and any entry to a non-consumer account can be by any method allowed by law or regulation. Only consumer debit authorizations require a writing that is signed or similarly authenticated.

Consistency

- The Rule will apply the standards of “readily identifiable” and “clear and readily understandable terms” to all authorizations.
- The Rule will apply the minimum data element standards that are currently stated only in the rules for Telephone-Initiated Entries for all consumer debit authorizations.

Impact to Participants

Originators and ODFIs: Originators and ODFIs may need to review authorizations to ensure they meet the standards of “readily identifiable” and “clear and readily understandable terms.” These participants may also need to review and revise consumer debit authorization language to ensure that it includes the minimum data elements.

RDFIs: RDFIs should have no impacts to their receipt and posting of entries.

Technical Summary

Below is a summary of the impact of the Other Authorization Issues rule on the Nacha Operating Rules.

- *Article Two, Subsection 2.3.1 (General Rule – Originator Must Obtain Authorization from Receiver)* – Updated to include the clear and readily understandable terms and readily identifiable standards.
- *Article Two, Subsection 2.3.2 (Form of Receiver Authorization for Entries to Consumer Accounts)* – New subsection describing consumer authorization requirements.
- *Article Two, Subsection 2.3.2.1 (Credit Entries to Consumer Accounts)* – New subsection defining consumer credit entry authorization requirements.
- *Article Two, Subsection 2.3.2.2 (Debit Entries to Consumer Accounts)* – New subsection defining consumer debit entry authorization requirements.
- *Article Two, Subsection 2.3.2.3 (Copy of Receiver Authorization)* – New subsection describing requirement to provide a copy of a consumer's debit entry authorization.
- *Article Two, Subsection 2.3.2.4 (Electronic Authorizations)* – Modified to update cross references.
- *Article Two, Subsection 2.3.2.6 (Notices of Variable Recurring Debit Entries to Consumer Accounts)* – Retitled and updated to reference Recurring Entries.
- *Article Two, Subsection 2.3.3 (Form of Receiver Authorization, Agreement, and Notice Requirement for Entries to Non-Consumer Accounts)* – Retitled and expanded to reflect changes to Non-Consumer authorizations.
- *Article Two, Section 2.4.1.1 (The Entry is Authorized by the Originator and Receiver)* – Modified to address ODFI warranties for credit entries when the Originator and Receiver are natural persons.
- *Article Two, Subsection 2.5.15.1 (General Rule for TEL Entries)* – Modified to clarify that a TEL Entry is for authorizations via telephone call and to remove an ODFI obligation for TEL Entries.
- *Article Two, Subsection 2.5.15.2 (Authorization of TEL Entries)* – Modified to address Recurring Entries, require a business telephone number, and remove redundant requirements.
- *Article Two, Subsection 2.5.15.4 (Verification of Receiver's Identity)* – New subsection to address requirement to verify Receiver's identity.
- *Article Two, Subsection 2.5.15.5 (Verification of Receiver's Routing Number)* – New subsection to address routing number verification requirement.
- *Article Two, Subsection 2.5.17.1 (General Rule for WEB Entries)* – Modified to exclude oral authorizations via telephone call and to remove an ODFI obligation for WEB Entries.
- *Article Two, Subsection 2.5.17.2 (Authorization of Debit WEB Entries)* – Existing subsection will be removed from the Rules.
- *Article Two, Subsection 2.5.17.3 (Use of Fraud Detection Systems)* – New subsection to address fraud detection system requirement.
- *Article Two, Subsection 2.5.17.4 (Verification of Receiver's Identity)* – New subsection to address requirement to verify Receiver's identity.

- *Article Two, Subsection 2.5.17.4 (Additional ODFI Warranties for Debit WEB Entries)* – Existing subsection will be removed from the Rules.
- *Article Two, Subsection 2.5.17.5 (Verification of Routing Numbers)* – New subsection to address requirement to verify Receiver’s routing number.
- *Article Eight, Section 8.77 (Prearranged Payment and Deposit Entry or PPD Entry or PPD)* – Modified to allow any type of authorization from a Receiver.
- *Article Eight, Section 8.87 (Recurring Entry)* – New section to add Recurring Entry to list of Defined Terms.

ALTERNATIVE TO PROOF OF AUTHORIZATION

Summary

Under the current Rules, an Originator is required to provide proof of authorization to its ODFI in such time that the ODFI can respond to an RDFI request for proof of authorization within ten banking days. Some ODFIs and Originators report that a “pain point” occurs when they provide proofs of authorization, but then debits are returned as unauthorized. To avoid this issue, some ODFIs and Originators would prefer to agree to accept the return of the debit rather than expend the time and resources necessary to provide proof of authorization.

The Alternative to Proof of Authorization rule (the Rule) will reduce an administrative burden on ODFIs and their Originators for providing proof of authorization in every instance in which it is requested by an RDFI. By allowing an alternative, the Rule is intended to help reduce the costs and time needed to resolve some exceptions in which proof of authorization is requested. However, if the RDFI still needs proof of authorization, the ODFI and its Originator must provide the proof of authorization within ten days of the RDFI’s subsequent request.

Impact to Participants

Originators and ODFIs: Originators and ODFIs that want to take advantage of the Rule may have to modify their business processes.

RDFIs: RDFIs may receive different responses to their request for proof of authorizations. RDFIs will need to develop practices and procedures to send subsequent requests for proofs of authorization in cases where a copy is still needed when ODFI has agreed to accept the return in lieu of providing the copy.

Technical Summary

Below is a summary of the impact of the Alternative to Proof of Authorization rule on the Nacha Operating Rules.

- *Article Two, Subsection 2.3.2.5 (Retention and Provision of the Record of Authorization)* – Expanded to allow an ODFI to accept the return of a debit entry instead of providing proof of authorization and to allow the RDFI to make a subsequent request for proof of authorization.
- *Article Two, Subsection 2.3.3.3 (Provision of the Record of Authorization)* – Expanded to allow an ODFI to accept the return of debit entry instead of providing proof of authorization and to allow the RDFI to make a subsequent request for proof of authorization.

WRITTEN STATEMENT OF UNAUTHORIZED DEBIT VIA ELECTRONIC OR ORAL METHODS

Summary

Under the Rules, an RDFI is responsible for obtaining a consumer’s Written Statement of Unauthorized Debit (WSUD) prior to returning a debit as unauthorized. However, the current Rules do not explicitly address electronically or orally provided WSUDs. Instead, the Rules explicitly allow electronic records and electronic signatures generally,

which has resulted in confusion about the electronic or oral acceptance of WSUDs. Anecdotal evidence suggests that the significant majority of WSUDs are still being obtained via paper using a wet signature.

The Written Statement of Unauthorized Debit via Electronic or Oral Methods rule (the Rule) will reduce an administrative burden on RDFIs and their customers. The Rule clarifies and makes explicit that an RDFI may obtain a consumer's WSUD as an Electronic Record, and an RDFI may accept a consumer's Electronic Signature, regardless of its form or the method used to obtain it. These changes will emphasize that WSUDs may be obtained and signed electronically, which could include the same methods permissible for obtaining a consumer debit authorization.

Impact to Participants

ODFIs: ODFIs that request copies of WSUDs might receive these documents in various formats.

RDFIs: RDFIs that want to take advantage of accepting WSUDs by electronic and oral forms will need to incorporate new procedures and technology. These RDFIs will need to be able to meet the requirement to provide a copy of the WSUD upon request.

Technical Summary

Below is a summary of the impact of the Written Statement of Unauthorized Debit via Electronic or Oral Methods rule on the Nacha Operating Rules.

- *Article Three, Subsection 3.12.4 (Form of Written Statement of Unauthorized Debit)* – Expanded to explicitly state that electronic records and electronic signatures are allowed for WSUDs.

Technical Summary of 2020 Changes to the Rules

The following is a technical summary of the changes to the NACHA Operating Rules implemented during 2020. The text changes were officially communicated via Supplements to the Rules, but they are summarized here for reference. Please note that since these changes are already effective, they are not marked within the text of the 2021 Rules.

MARCH 20, 2020 EFFECTIVE DATE

Expanding Same Day ACH: Same Day ACH Dollar Limit Increase

(Approved September 13, 2018)

The Same Day ACH Dollar Limit Increase rule will increase the per-transaction dollar limit from \$25,000 to \$100,000. At implementation, both Same Day ACH credits and Same Day ACH debits will be eligible for same-day processing up to \$100,000 per transaction.

- *Article Eight, Section 8.99 (Same Day Entry)* – Updated definition to reflect a higher per-transaction dollar limit.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements): Settlement Date* – Updated description to reflect a higher per-transaction dollar limit.
- *Appendix Ten, Subpart 10.4.6.2 (Responsibilities of Enforcement Panel)* – Updated Rules Enforcement Panel responsibilities to reflect a higher per-transaction dollar limit.

APRIL 1, 2020 EFFECTIVE DATE

Differentiating Unauthorized Return Reasons (Phase 1)

(Approved April 12, 2019)

Return Reason Code R11 was 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 continues to be used when a consumer 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 now “Customer Advises Originator is Not Known to Receiver and/or Is Not Authorized by Receiver to Debit Receiver’s Account.”

- *Article Two, Subsection 2.12.4.1 (General Rule for Reinitiated Entries)* – modified to treat new corrected Entry differently from a Reinitiated Entry.
- *Article Two, Subsection 2.12.5 (Correction of Entries Returned as R11 – Customer Advises Entry Not in Accordance with the Terms of the Authorization)* – new subsection added to permit submission of corrected Entry and prohibit submission of uncorrectable Entry.
- *Article Three, Section 3.11 (RDFI Obligation to Recredit Receiver)* – updated structure to align with broader concepts of unauthorized Entries and authorized Entries that are not in accordance with the authorization.
- *Article Three, Section 3.12 (Written Statement of Unauthorized Debit)* – updated structure to align with broader concepts of unauthorized Entries and authorized Entries that are not in accordance with the authorization.
- *Article Three, Subsection 3.12.1 (Unauthorized Debit Entry/Authorization for Debit Has Been Revoked)* – updated structure to align with broader concepts of unauthorized Entries (including authorization revoked) and authorized Entries that are not in accordance with the authorization.

- *Article Three, Subsection 3.12.2 (Debit Entry not in Accordance with the Terms of the Authorization)* – revised to describe conditions in which R11 would be used.
- *Article Three, Subsection 3.12.2.1 (Improper ARC, BOC and POP Debit Entries)* – minor modification to limit discussion of this subsection to ARC, BOC and POP Entries.
- *Article Three, Subsection 3.12.3 (Improperly Originated RCK Entry)* – minor modification to limit discussion of this subsection to RCK Entries.
- *Article Three, Subsection 3.12.4 (Form of Written Statement of Unauthorized Debit)* – modified to eliminate redundancy with new and revised text.
- *Article Three, Subsection 3.12.6 (Copy of Written Statement of Unauthorized Debit)* – updated to note that the ODFI must request a copy of the Written Statement of Unauthorized Debit within one year of the Settlement Date of the Extended Return Entry.
- *Article Eight, Section 8.115 (Unauthorized Entry Fee)* – updated to include R11.
- *Article Eight, Section 8.121 (Written Statement of Unauthorized Debit)* – updated structure to align with broader concepts of unauthorized Entries (including authorization revoked) and authorized Entries that are not in accordance with the authorization.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements): Addenda Information* – modified to strike reference to R11.
- *Appendix Four – Return Entries (Introduction)* – modified to strike reference to R11.
- *Appendix Four, Subpart 4.2 (Table of Return Reason Codes)* – updated to include revised titles and descriptions for R10 and R11.

JULY 1, 2020 EFFECTIVE DATE

ACH Contact Registry (Phase 1)

(Approved April 12, 2019)

Under the ACH Contact Registry Rule (the Rule), all ACH financial institutions are required to register contact information for their ACH operations and fraud and/or risk management areas. Financial institutions may voluntarily register contacts for additional personnel or departments at their discretion. The contact information is available to other registered ACH participating financial institutions, Payments Associations, the ACH Operators and Nacha to use with ACH-related system outages, erroneous payments, duplicates, reversals, fraudulent payments and any other use within scope, such as identifying the proper contact for letters of indemnity. Use of the contact information is limited to these internal purposes only. The Rule requires financial institutions to update their registry information within 45 days of any change and to verify it on an annual basis. Registration is done via Nacha's Risk Management Portal.

- *Article One, Section 1.14 (Participating DFI Contact Registration)* – New section established the requirement for Participating DFIs to provide contact information to Nacha.