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## 2018 ACH RULE CHANGES AND UPDATES


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## Agenda

- Third and final phase of Same Day ACH
- Third-party sender registration
- Technical summary of 2017 changes




## Same Day ACH

- Phase 1 and Phase 2
  - September 23, 2016
    - Phase 1 – Credits Only – Must be processed by RDFI's end of day processing
  - September 15, 2017
    - Phase 2 – Credits and Debits – Must be processed by RDFI's end of day processing



## Same Day ACH

- Same Day Entry Fee
  - Each Originating Depository Financial Institution (ODFI) is to pay a Same Day Entry Fee to the respective Receiving Depository financial Institution (RDFI).
    - Entry Fee: 5.2 cent fee (\$0.052)
      - Example – 13 SD transactions within the month  
 $13 \times \$0.052 = \$0.0676$  rounded to \$0.68



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## Same Day ACH - Stats

**SAME DAY ACH** | Volume Expected to Continue Growing at Rapid or Steady Rate




A Qualitative Survey Conducted November-December 2017 of 22 Financial Institutions Comprising 78% of ACH Network Origination

**Over the next 6-9 months, Same Day ACH volume is expected to grow**

**82%** expect Same Day ACH **Debit** volume will grow at a rapid or steady rate





**78%** expect Same Day ACH **Credit** volume will grow at a steady rate

| ORIGINATING FINANCIAL INSTITUTIONS   | BUSINESS USERS  | RECEIVING FINANCIAL INSTITUTIONS   |
|--|---|--|
| <p><b>84%</b> said actual volume was the same or higher than anticipated</p>  | <p><b>64%</b> of financial institutions report middle market corporations are most interested in Same Day ACH</p>  | <p><b>90%</b> said actual volume was the same or higher than anticipated</p>  |

**0%** For the fourth consecutive time, not one respondent saw ANY INCREASE in fraud due to Same Day ACH

**95%** of respondents have met or will meet 5 p.m. local time funds availability by January 2018

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## Same Day ACH - Phase 3

- Phase 3
  - March 16, 2018
    - **Requires** RDFIs to provide funds availability to Receivers by 5:00 p.m. local time
  - Eligibility Remaining the Same...for Now
    - Eligible Entries must be \$25,000 or less
    - All Standard Entry Class Codes
      - Except IAT or ENR
    - Stale Date or Invalid Effective Entry Date
    - Same Day Entries post on Settlement Date not Effective Entry Date



## Same Day ACH – Chart of Phases

| Same Day Information                               | Phase 1 – September 23, 2016 | Phase 2 – September 15, 2017 | Phase 3 – March 16, 2018         |
|--|------------------------------|------------------------------|----------------------------------|
| Eligibility (Not Eligible \$25,000 Limit and IATs) | Credits only                 | Credits and Debits           | Credits and Debits               |
| Same Day ACH Processing Windows                    | 10:30 a.m. and 2:45 p.m. ET  | 10:30 a.m. and 2:45 p.m. ET  | 10:30 a.m. and 2:45 p.m. ET      |
| Distribution Times                                 | 12 p.m. ET and 4 p.m.        | 12 p.m. ET and 4 p.m.        | 12 p.m. ET and 4 p.m.            |
| New Settlement Times                               | 1:00 p.m. and 5:00 p.m.      | 1:00 p.m. and 5:00 p.m.      | 1:00 p.m. and 5:00 p.m.          |
| ACH Credit Funds Availability                      | End of RDFIs processing day  | End of RDFIs processing day  | <b>5:00 p.m. RDFI local time</b> |

## SAME DAY ACH – Excused Delay

### Late File Delivery and Excused Delay

- ACH Operator experiences a delay in transmitting or making available a file of Same Day Entries. NACHA would consider the failure to receive a Same Day ACH file distribution in a timely manner to be an “interruption of communication” to RDFIs of that critical data.
  - This is an open-ended excuse. The RDFIs must use reasonable diligence under the circumstances to make funds available to Receivers as promptly as possible.



## Same Day ACH

### Examples of Late File Delivery

- RDFI in Eastern Time Zone receives from ACH Operator at 4:30 p.m., a half hour after the target distribution time. When can the RDFI make funds available?
  - 5:30 p.m. ET
- RDFI in Eastern Time Zone receives from ACH Operator at 7:30 p.m., 3 and a half hours after the target distribution time. When can the RDFI make funds available?
  - End of overnight DDA posting



## Same Day ACH – Government Payments

- Will Federal government payments be eligible for Same Day processing?

With the publication of a [final 31 CFR Part 210 rule \(Off-site\)](#) on September 11, 2017 the Treasury has confirmed it will participate in Same Day ACH as of September 15, 2017.

- Expects to begin originating SDA credits in December 2017
- Fiscal Service accepting SDA credits for tax and other payments to federal agencies.
- Fiscal Service to enable the use of SDA debits for tax collections in 2018
- As of November 30, 2017 ACH returns with a federal government RTN as the ODFI or RDFI became eligible for Same Day ACH.



## Third-Party Sender Registration

- What is a Third-Party Sender registration rule?

This rule requires Originating Depository Financial Institutions (ODFIs) to identify and register their Third-Party Sender customers. The registration process promotes consistent customer due diligence among all ODFIs, and serves as a tool to support NACHA's continuing efforts to maintain ACH Network quality.

Through the agreement with the ODFI the 3<sup>rd</sup> Party Sender accepts all responsibilities and warranties of the ODFI.



## Third-Party Sender Registration

- Third Party Sender Registration Deadline – March 1, 2018
  - Third Party Sender Registration basic data requirements
    - the ODFI's name and contact information;
    - the name and principal business location of the Third-Party Sender
    - the ODFI's routing number
    - the Company Identification(s) of the Third-Party Sender.
- Link to register:
 

<https://riskmanagementportal.nacha.org/Account/Login>



## Third-Party Sender Registration

- What will NACHA do with the information?
  - This registry would be a foundational tool for ACH Network risk management and could be helpful in the following scenarios:
    - Identify instances in which a Third-Party Sender uses multiple ODFIs
    - Identify instances in which a Third-Party Sender is terminated by one ODFI but is registered by one or more other ODFIs
    - Facilitate risk investigations when necessary



## Third-Party Sender - Scenario

- A Homeowners Association (HOA) enters into an agreement with a Property Manager to collect HOA dues from the Homeowners on a recurring basis.
- On behalf of the HOA, the Property Manager obtains the Homeowners' authorization and initiates debits (via its own financial institution) for the collection of HOA dues.
  - HOA and Homeowners are the direct parties to the debit for the HOA dues. (Homeowners owe dues to the HOA.)
  - The HOA is the Originator of the debit (and should be identified as such in the authorization that the Property Manager obtains on the HOA's behalf).
  - The Homeowner is the Receiver of the debit.
  - The Property Manager is a Third-Party Sender because it (rather than the HOA) has the Origination Agreement with the ODFI.



## Third-Party Sender - Scenario cont.

- The Property Manager initiates the ACH credit to the HOA for the aggregate amount of the dues it has collected from the Homeowners, less its service fees and charges.
  - The Property Manager and HOA are the direct parties to the credit for aggregated HOA dues amounts (proceeds from the dues payments are owed to the HOA).
  - The Property Manager is the Originator of the credit.
  - The HOA is the Receiver.

Scenarios:

<https://www.nacha.org/content/simplified-scenarios-involving-third-party-senders#hoa>

Identification Tool:

[https://www.nacha.org/system/files/resources/NACHA\\_InteractiveTool\\_Flowchart\\_2016.03.31.pdf](https://www.nacha.org/system/files/resources/NACHA_InteractiveTool_Flowchart_2016.03.31.pdf)



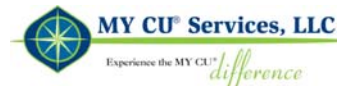


## Third-Party Sender Registration

- Risk Management Portal

The Risk Management Portal is a hosted solution.

- The solution provides physical security, encryption, user authorization and authentication processes, as well as auditing to verify satisfaction of privacy and security requirements.
- DFI Registration
- Third-Party Sender Registration
- Direct Access Registration Database
- Terminated Originator Database (optional)
- Emergency Financial Institution Contact Database (optional)



## Third-Party Sender Registration



**ODFI Registration**

Primary RTN\*:  [VALIDATE RTN](#) [CONTACT US](#) ODFI Name\*:

**Administrator Details:**

First Name\*:  Last Name\*:  Email Address\*:  Telephone Number\*:

**ODFI User Details (0-4 users):**

|        | First Name:                                   | Last Name:                                   | Email Address:                                   | Telephone Number:                                   |
|--------|---|--|--|---|
| User 1 | <input type="text" value="Enter first name"/> | <input type="text" value="Enter last name"/> | <input type="text" value="Enter email address"/> | <input type="text" value="Enter telephone number"/> |
| User 2 | <input type="text" value="Enter first name"/> | <input type="text" value="Enter last name"/> | <input type="text" value="Enter email address"/> | <input type="text" value="Enter telephone number"/> |
| User 3 | <input type="text" value="Enter first name"/> | <input type="text" value="Enter last name"/> | <input type="text" value="Enter email address"/> | <input type="text" value="Enter telephone number"/> |
| User 4 | <input type="text" value="Enter first name"/> | <input type="text" value="Enter last name"/> | <input type="text" value="Enter email address"/> | <input type="text" value="Enter telephone number"/> |

**Contact Person Details:**

First Name\*:  Last Name\*:  Email Address\*:  Telephone Number\*:  Job Title\*:

**ODFI Address:**

Street\*:  Suite\*:  City\*:

State\*:  Zip Code\*:



## Third-Party Sender Registration

### THIRD-PARTY SENDER REGISTRATION

Please attest to the status of any Third-Party Sender relationships your financial institution may maintain:

I attest that I am an employee of the financial institution named above, and that I have the authority to submit this acknowledgement, and that the financial institution **does** currently maintain Third-Party Sender Customers.

I attest that I am an employee of the financial institution named above, and that I have the authority to submit this acknowledgement, and that the financial institution **does not** currently maintain Third-Party Sender Customers.

### DIRECT ACCESS DEBIT REGISTRATION

Please attest to the status of any Direct Access Debit relationships your financial institution may maintain:

I attest that I am an employee of the financial institution named above, and that I have the authority to submit this acknowledgement, and that the financial institution **does** currently maintain relationships that are Direct Access Debit Participants.

I attest that I am an employee of the financial institution named above, and that I have the authority to submit this acknowledgement, and that the financial institution **does not** currently maintain relationships that are Direct Access Debit Participants.

### TERMINATED ORIGINATOR DATABASE (TOD)

Please indicate whether or not your financial institution would like to participate in the Terminated Originator Database: (Note: Terms of Use must be accepted below and the decision to participate in the Terminated Originator Database can be updated at any time within the Risk Management Portal.)

Yes, the financial institution **would like** to participate in the Terminated Originator Database (TOD).

No, the financial institution **would not** like to participate in the Terminated Originator Database (TOD).

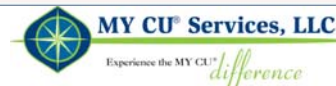
### EMERGENCY FINANCIAL INSTITUTION CONTACT DATABASE

Please indicate whether or not your financial institution would like to participate in the Emergency Financial Institution Contact Database: (Note: The decision to participate in the Emergency Financial Institution Contact Database can be updated at any time within the Risk Management Portal.)

Yes, the financial institution **would like** to participate in the Emergency Financial Institution Contact Database.

No, the financial institution **would not** like to participate in the Emergency Financial Institution Contact Database.

CANCEL REGISTER



## Third-Party Sender Registration

- An audit item has been added verifying that the ODFI has registered and updated information on its Third-Party Senders
  - *Appendix Eight, Part 8.4*
  - Vizo Financial and MY CU Services are not Third-Party Senders for our member and client credit unions.



## Technical Summary of 2017 Changes

- General Rule for Reversing Entries
  - The reversing entry must be transmitted to the ACH Operator in such time as to be transmitted or made available to the RDFI within five Banking Days following the Settlement Date of the erroneous Entry.
  - A debit reversing entry must not contain an Effective Entry Date that is earlier than the Effective Entry Date of the credit entry to which it relates.



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## Technical Summary of 2017 Changes

- Erroneous Entry verbiage update
  - Duplicate of an entry previously initiated by the originator or ODFI
  - The receiver is different than intended
  - The dollar amount is different than intended by the originator
  - Payment was received twice, once by check and once thru ACH
  - The Originator must make a reasonable attempt to notify the Receiver of the Reversing Entry and the reason for the Reversing Entry no later than the Settlement Date of the Reversing Entry.

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## Technical Summary of 2017 Changes

- Timing Requirements for Reclamation Entries and Written Demands for Payment
  - Within five Banking Days after the Originator receives notice of the death of the Receiver the entry must be sent back.
  - If a Reclamation Entry is returned by the RDFI, the Originator may make a written demand for payment within fifteen Banking Days after it receives the returned Reclamation Entry.
  - A Reclamation Entry must not contain an Effective Entry Date that is earlier than the Effective Entry Date of the credit Entry to which it relates.

• *SUBSECTION 2.10.4*



## Technical Summary of 2017 Changes

- Authorization of TEL Entries – Revised written notice deadline to account for Same Day Entries
  - For an authorization related to a Single Entry TEL Entry, the Originator must either make an audio recording of the oral authorization, or provide the Receiver with written notice confirming the oral authorization prior to the settlement of the Entry.

• *SUBSECTION 2.5.15.2 Authorization of TEL Entries*



## Request for Comment - NACHA

- Proposed Rules to Expand Same Day ACH
  - Add a third Same Day ACH processing window that expands access to later in the day;
  - Provide faster funds availability to receivers of both Same Day and non-Same Day ACH credits;
  - Raise the per-transaction dollar limit on Same Day ACH transactions to \$100,000;
    - Comments were due on January 26, 2018
  - Explore the industry's interest in ACH processing on weekends and holidays.
    - Comment are due February 23, 2018



## Takeaways

- Same Day ACH Phase 3 – March 16, 2018
  - Funds availability by 5 p.m. RDFI local time
- Third Party Sender Registration
  - Must register by March 1, 2018
    - Consequences if you fail to register could lead to Class 2 Rules Violation up to \$100,000 fine per month until resolved



## Resources

<https://SDA Guidance-Local-Time - NACHA>  
NACHA Operating Rules and Guidelines Book



Green Book

[https://www.fiscal.treasury.gov/fsreports/ref/greenBook/greenbook\\_home.htm](https://www.fiscal.treasury.gov/fsreports/ref/greenBook/greenbook_home.htm)

Federal Reserve

<https://www.frb-services.com>



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