



## Industry Update & New Rules

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## Agenda

- ❑ Sound business practices for ensuring safe and secure payments
- ❑ 2014/2015 New Rules
- ❑ What Just Passed
- ❑ Industry Updates



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## Keeping Payments and Payment Information Safe and Sound

- IT Policies
  - Information Security
    - \*\* Don't forget the paper
  - BYOD Policies
    - Ensure employees using mobile devices or tablets have the proper security
      - Amazing what you might find as devices connected to your network
  - Policies are only as strong as the penalties that are enforced for not adhering to the policies
  - Email and Internet Use Policies
  - Remote Employee Policies



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## Keeping Payments and Payment Information Safe and Sound

- Update routers
- Adherence to the Bank's Security Procedures
  - Wire
  - ACH
- Take advantage of security offerings and risk mitigation tools from your FI/Vendors
  - Positive Pay
  - Debit Blocks



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## WHAT'S ALREADY PASSED



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## Data Security Rule

- Rule requires that originators and FIs create or update policies and procedures related to the protection of banking information (ABA and Account Numbers)
  - Where do you keep copies of authorizations for payments, collections or staff reimbursements?
  - Do you require voided checks to be provided by vendors or employees seeking to be paid electronically?
  - Have you ever done a data security self assessment?



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## Prenotification Entries

- ❑ Zero dollar – Optional “test” entry
- ❑ Became effective Sept 19, 2014
- ❑ Reduced Originators waiting period to submit the live entry from 6 banking days to a period of **3 banking days**



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## Proof of Authorization Requirements for Non-Consumer Debit Entries

- ❑ This amendment will:
  - Permit an RDFI to request proof of a non-consumer Receiver’s authorization for a CCD or CTX entry, or Inbound IAT entries; and
  - Require that, upon receipt of an RDFI’s written request, the
    - ODFI must provide an accurate record of the Receiver’s authorization to the RDFI within ten banking days without charge
- OR
  - ODFI may share the originators contact information including: Name, phone number or e-mail address
- ❑ Effective September 19, 2014



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## Notifications of Change for Single Entries

- ❑ This rule change will revise the Rules to make optional the Originator response to Notifications of Change (NOCs) for Single Entry payments
- ❑ The rule change **will not disallow** an RDFI's initiation of an NOC for a Single Entry, nor would it mandate the Originator to make the changes provided in such NOCs
- ❑ SEC Codes affected by this proposal: ARC, BOC, POP, POS, RCK, and XCK entries, as well as, single Entry TEL and WEB
- ❑ Effective September 20, 2013



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## Person-to-Person ACH Payments

- ❑ This rule:
  - Defines a P2P payment in the Rules;
  - Allows a credit version of the WEB Standard Entry Class (SEC) Code to be originated
- ❑ Effective March 21, 2014 (Optional Compliance)
- ❑ March 15, 2015 (Mandatory Compliance)



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## Person-to-Person ACH Payments

- ❑ Person-to-Person (P2P) Entry
  - A credit Entry initiated by or on behalf of a holder of a Consumer Account that is intended for a **Consumer Account of a Receiver**
- ❑ Customer Initiated Entry (CIE)
  - A credit Entry initiated by or on behalf of the holder of a Consumer Account to the **Non-Consumer Account (corporate) of a Receiver**



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## WHAT'S COMING IN 2015!



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## Notification of Change

- ❑ Removes Change Code C04 (Incorrect Individual Name/Receiving Company Name) from the NACHA Rules
  - Use creates compliance and liability challenges for the Originator, ODFI and RDFI
  - Seldom used and often in response to field containing “garbage/meaningless” information
  - Effective date – March 20, 2015



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## Reversals Resulting in a Receiver Being Re-credited

- ❑ The rule permits an ODFI to dishonor a return entry relating to an erroneous transaction provided that it can substantiate that it had also originated a reversing entry to correct the erroneous transaction
- ❑ Avoids unintended payment or enrichment of the Receiver
- ❑ Effective March 20, 2015



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## Two NEW Return Codes

- R62 Dishonored Return Reason
  - Return of Erroneous or Reversing Debit
  - ODFIs right to dishonor a debit return that causes unintended credit to receiver/RDFI
- R77 Contested Dishonored Return Reason
  - Non-Acceptance of R62
  - RDFIs right to contest a dishonored return involving an unintended credit to receiver
- Effective March 20, 2015



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## WHAT JUST PASSED



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## ACH Network Risk and Enforcement Topic #1 Return Rate Thresholds

- ❑ Reduce the existing Return Rate threshold for unauthorized debits from 1.0% to 0.5%
  - R05, R07, R10, R29 & R51
- ❑ Establish an Administration Return Rate level for account data errors at 3.0% that could trigger a review of Originator's ACH Activity
  - R02, R03, R04
- ❑ Establish an overall debit return rate level of 15.0% that could trigger a review of Originator's ACH Activity
  - Excludes RCK
- ❑ Effective Date: September 18, 2015



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## ACH Network Risk and Enforcement Topic #2 Reinitiation

- ❑ Define and establish standards for reinitiated entries
- ❑ Require reinitiated entries to have same Company Name, Company ID and Amount as original entry
- ❑ Identify practices that constitute improper reinitiation
- ❑ Give ACH Rules Enforcement Panel authority to determine whether a practice was improper reinitiation
- ❑ Standard use of Company Entry Description "RETRY PYMT"
- ❑ Effective Date: September 18, 2015



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## ACH Network Risk and Enforcement Topic #3 Third-Party Sender Topics

- ❑ Explicitly apply certain risk management and Originator transaction monitoring requirements to Third-Party Senders
- ❑ Require third-parties to provide proof of completion of a Rules compliance audit to its Participating DFI to fulfill request from NACHA
- ❑ Effective Date: January 1, 2015



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## ACH Network Risk and Enforcement Topic #4 NACHA Enforcement Authority

- ❑ Define additional circumstances under which NACHA may initiate a risk investigation or rules enforcement proceeding regarding unauthorized entries
- ❑ ACH Rules Enforcement Panel will review NACHA requests to initiate new cases
- ❑ Effective Date: January 1, 2015



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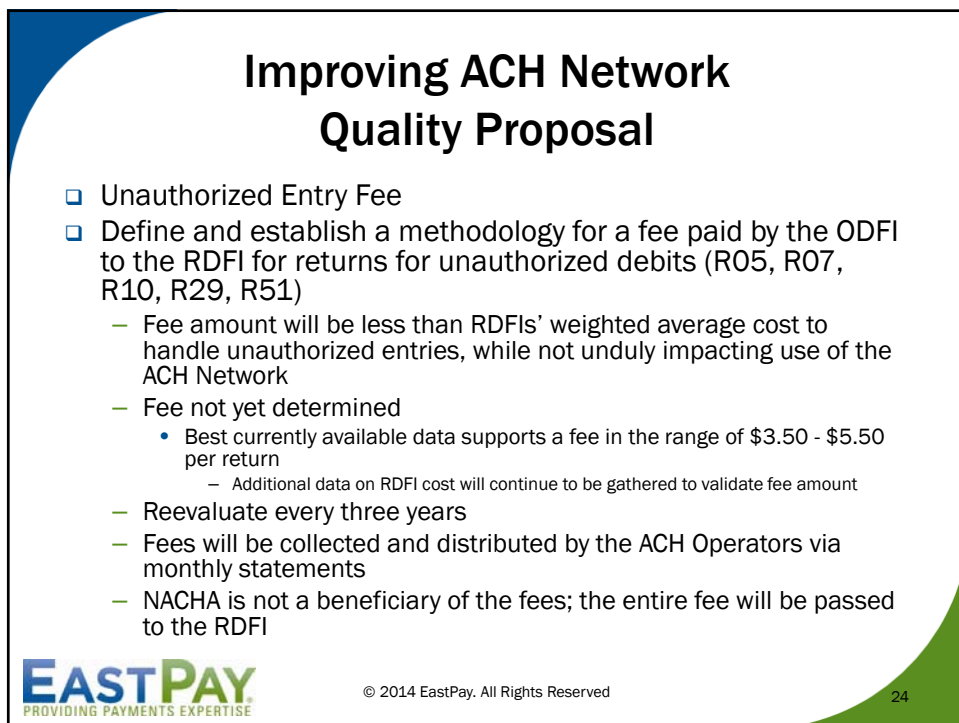


**INDUSTRY UPDATES**

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**Improving ACH Network  
Quality Proposal**

- ❑ Unauthorized Entry Fee
- ❑ Define and establish a methodology for a fee paid by the ODFI to the RDFI for returns for unauthorized debits (R05, R07, R10, R29, R51)
  - Fee amount will be less than RDFIs' weighted average cost to handle unauthorized entries, while not unduly impacting use of the ACH Network
  - Fee not yet determined
    - Best currently available data supports a fee in the range of \$3.50 - \$5.50 per return
      - Additional data on RDFI cost will continue to be gathered to validate fee amount
  - Reevaluate every three years
  - Fees will be collected and distributed by the ACH Operators via monthly statements
  - NACHA is not a beneficiary of the fees; the entire fee will be passed to the RDFI

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## Hot Topics

- ❑ Movement for faster payments
- ❑ Non FI competitors in the marketplace
- ❑ Crackdown on risky Third-Party Payment Processors
- ❑ Scrutiny on Digital, Virtual and Crypto currency
- ❑ EMV is necessary for better consumer protection
- ❑ NFC moves forward with announcement of ApplePay



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## Questions?



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contact us!



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- ❑ Account Takeover (two part series)
- ❑ Tips & Tactics: Onboarding Originators
- ❑ Working with High Risk Originators
- ❑ ACH Marketing – Expand Your Customer Base
- ❑ ACH Risk Fundamentals
- ❑ Managing High-Risk Originators
- ❑ RDC Rules and Regulations & Real RDC Risk Challenges
- ❑ Becoming an NCP program
- ❑ Mobile and Consumer RDC
- ❑ ACH Audit Preparation: Are You Ready?
- ❑ Government Payments (three part series)
- ❑ Breaking News: Payments Industry Update 2014



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- ❑ Payments University
- ❑ Risk Mitigation and Fraud Strategies
- ❑ AAP preparation courses
- ❑ Information Interchange Annual Conference
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- ❑ Know Your 2015 Rules Book & Rules Changes
- ❑ ACH Fundamentals/Returns Workshop
- ❑ Advanced Wire Symposium



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