



2024

NACHA RULES UPDATE

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2024 NACHA RULES UPDATE FOR ACH

ALSO KNOWN AS COMPLIANCE UPDATE FOR ACH ORIGINATORS

The purpose of this 2024 NACHA Rules Update for ACH (“NACHA Update”) is to provide a summary description of changes to the NACHA Operating Rules & Guidelines (“Rules”). NACHA’s Micro-Entry Rule was intended to become effective in two phases. Phase 1 became effective on September 16, 2022. Phase 2, which requires Originators to implement commercially reasonable methods to detect fraud when originating Micro-Entries, became effective on March 17, 2023. In addition, NACHA has announced several upcoming amendments to the ACH Rules which may impact how ACH payments are processed. Four of these amendments will take effect in 2024 and two will take effect in 2026.

A summary description of the new ACH Rules and of Phase 2 of the Micro-Entries Rule is set forth below. For further information we recommend you obtain a copy of the 2024 NACHA Operating Rules and Guidelines. The Rules are published annually and may be referenced or ordered at www.nacha.org. The 2024 edition of the NACHA Operating Rules & Guidelines includes the Micro-Entries Rule; however, because both Phase 1 and Phase 2 have already been implemented, they are not marked within the text of the 2024 Rules. More detailed information regarding these changes may also be found at www.nacha.org. If you have any questions, please feel free to contact your Treasury Services Representative.

Micro-Entries Rule, Phase 2

Approved January 31, 2022

Effective March 17, 2023

Details:

Phase 2 of the Micro-Entries Rule builds upon the initial implementation of Phase 1 of the Rule. As of the effective date, Originators of Micro-Entries are required to employ commercially reasonable fraud detection practices, including the monitoring of forward and return Micro-Entry volumes.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Two, Subsection 2.7.5 (Commercially Reasonable Fraud Detection for Micro-Entries)* – New subsection to require Originators to conduct commercially reasonable fraud detection when using Micro-Entries.

Impact to Participants:

ODFIs: ODFIs will need to make sure that their Originators that use Micro-Entries are aware of the Rule and its requirements.

RDFIs: RDFIs should consider incorporating Micro-Entry activity into existing fraud detection, AML and money mule detection processes. To advance the effectiveness of Micro-Entries as a fraud mitigation tool, RDFIs should consider treating corresponding credit and debit Micro-Entries the same when making post/no post decisions, i.e., they should either post both or return both. RDFIs that have not automated their return processing are encouraged to do so to minimize the impact that additional administrative returns may have on their operations.

Minor Rules Topics

The rule changes addressed below will amend the Rules to address a variety of minor topics. Minor changes to the Rules are expected to have little-to-no impact on ACH participants and no significant processing or financial impact.

The Impact to Participants is expected to be minimal and applies equally to each of the changes noted in this section.

Impact to Participants: All ACH Network participants benefit from Rules language that is consistent and clear, and that takes established industry practices into consideration. Each of the Minor Topics Rule change serves to improve overall ACH processing efficiency by enhancing and clarifying certain areas within the Rules that are troublesome or ambiguous to users. Nacha does not expect ACH Network participants to incur any substantial costs associated with the implementation of these changes.

Action on Notification of Change

Effective June 21, 2024

Details:

The Rules currently allow Originators discretion on whether it will act on NOCs received with respect to specific SEC Codes that, by definition, are one-time entries and those that previously required a single/recurring indicator within the entry. The wording of this section, as it currently reads, is out of date. Minor modifications are being made for clarity and to reflect current business practice.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Two, Section 2.12.1 (ODFI and Originator Action on Notification of Change (NOC))* –modifies bullet (1) to clarify that the Originator has discretion to act on any single-entry NOC, regardless of SEC Code.

Use of Prenotification Entries

Effective June 21, 2024

Details:

The Rules currently allow Originators to transmit prenotification entries for account validation prior to initiating the first credit or debit entry to a Receiver's account. Originator's have indicated a need to re-validate that certain accounts are open and can accept ACH entries, even after live entries have been transmitted. This change will align the prenote rules with industry practice by removing language that limits prenote use to only prior to the first credit or debit entry.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Two, Section 2.6.1 (General Rule for Prenotifications)* – removes the limitation that prenotifications may only be used prior to the first ACH credit or debit entry.
- *Article Eight, Section 8.81 (“Prenotification Entry” or “Prenotification” or “Prenote”)* – removes the limitation that prenotifications may only be used prior to the first ACH credit or debit entry.

General Rule for WEB Entries

Effective June 21, 2024

Details:

Some ODFIs and P2P service providers are coding consumer-to-consumer credits as PPD entries when the consumer’s instruction has been communicated through non-internet means (e.g. via phone, in person). Changes to this rule will re-word the WEB general rule to make clear that WEB must be used for ALL consumer-to-consumer credits, regardless of how the consumer communicates the payment instruction to the ODFI or P2P service provider.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rule*:

- *Article Two, Subsection 2.5.17.1 (General Rule for WEB Entries)* – clarifies that the WEB SEC Code must be used for all WEB Entries, regardless of how the consumer Originator communicates the payment instruction to the ODFI/P2P service provider.
- *Article Eight, Section 8.55 (Internet-Initiated/Mobile Entry)* – clarifies that the WEB SEC Code must be used for all WEB Entries, regardless of how the consumer Originator communicates the payment instruction to the ODFI/P2P service provider.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* – makes corresponding changes to the definition of WEB Entry under the description of the Standard Entry Class Code field.

Definition of Originator

Effective June 21, 2024

Details:

The Rules currently define “Originator” only with respect to its relationship with an ODFI with no reference to an Originator’s obligation to have obtained the Receiver’s direct authorization to credit or debit the Receiver’s account. This obligation, however, is referenced in the definition of “Receiver.” The rule modifies the definition of “Originator” to bring the definitions into alignment.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Eight, Section 8.71 (“Originator”)* – expands the definition of Originator to recognize the Originator’s fundamental relationship with the Receiver.

Data Security Requirements

Effective June 21, 2024

Details:

The requirements of the rule are threshold-based and applies to participants once the participant’s annual ACH origination or transmission volume exceeds 2 million entries for the first time. As currently worded, the reference to the grace period can be misinterpreted as giving relief from compliance for parties already covered by the rule. This modification is intended to clarify the rules applicability.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article One, Section 1.6 (Security Requirements)* – clarifies that once a party is subject to the requirement to render data unreadable when stored electronically, it must continue to do so consistently thereafter, regardless of annual volume.

Clarification of Terminology – Subsequent Entries

Effective June 21, 2024

Details:

With the adoption of defined terms and rules for Standing Authorization and Subsequent Entries, minor changes are needed to prenote and NOC language to remedy now-ambiguous references to the use of the term “subsequent entry.”

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Two, Subsection 2.4.2 (Exceptions to ODFI Warranties for Entries Originated Using Corrected Data from Notification of Change)* – replaces general references to “subsequent entry” to avoid confusion with the defined term “Subsequent Entry.”
- *Article Two, Subsection 2.6.2 (Waiting Period Following Prenotification Entries)* – replaces general references to “subsequent entries” to avoid potential confusion with the defined term “Subsequent Entry.”

- *Article Two, Subsection 2.12.1 (ODFI and Originator Action on Notification of Change)* – replaces general references to “subsequent entry” to avoid potential confusion with the defined term “Subsequent Entry.”

Risk Management Topics

These rule amendments are part of a larger Risk Management package intended to reduce the incidence of successful fraud attempts and improve the recovery of funds after frauds have occurred.

Codifying Use of Return Code R17

Effective October 1, 2024

Details:

RDFIs that may be able to identify an ACH entry as fraudulent may want to return the entry on this basis. However, the Rules currently do not have a defined Return Reason Code for this use. The Rules provide for using the return reason code that most closely approximates the reason for the return. In the past, Nacha has provided guidance that Return Reason Code R17 is likely the closest return code for incidents of potential fraud.

The Codify Use of Return Reason Code R17 Rule will explicitly allow an RDFI to use Return Reason Code R17 to return an entry that it believes is fraudulent. This use of Return Reason Code R17 is optional and at the discretion of the RDFI; it is not required under the Rules. This rule retains the current requirement to include the descriptor “QUESTIONABLE” in the return addenda record for such use.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Eight, Section 8.42 (“False Pretenses”)* – New section to define False Pretenses
- *Article Three, Subpart 3.2.2 (Glossary of Data Elements – Addenda Information)* – Updated to include additional language for unauthorized entries and entries authorized under False Pretenses.
- *Appendix Four, Part 4.2 (Table of Return Reason Codes)* – Updated to include modifications to the use of Return Reason Code R17.

Impact to Participants:

As the R17 Return Reason Code with the “QUESTIONABLE” descriptor is in use today, ODFIs and RDFIs and other parties should not need significant technical changes. However, participants may need to update their documentation regarding the use of R17. Participants will need to also provide education to staff to ensure proper usage.

RDFIs: RDFIs should be cognizant of potential for false positives.

Expanded Use of ODFI Request for Return – R06

Effective October 1, 2024

Details:

Under the Rules, an ODFI may request that an RDFI return a defined Erroneous Entry or a credit entry that was originated without the authorization of the Originator using Return Reason Code R06. The RDFI may, but is not obligated to, comply with the ODFI's request. ODFIs that wish to request the return of a potentially fraudulent entry do not have a clear means to do so, because the Rules limit the use of R06 to specific situations.

The Expanded Use of the ODFI Request for Return – R06 will expand the permissible uses of the Request for Return to allow an ODFI to request a return from the RDFI for any reason. The ODFI will still indemnify the RDFI for compliance with the request and the RDFI's compliance remains optional at the RDFI's discretion. However, this rule will require the RDFI to respond to the ODFI, regardless of whether the RDFI complies with the ODFI's request to return the entry. The RDFI must advise the ODFI of its decision or the status of the request within 10 banking days of receipt of the ODFI's request.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Two, Subsection 2.10.1 (General Rule for Reversing Entries)* – Updated to delete references to the ODFI request for return.
- *Article Two, Subsection 2.13.2 (ODFI Request for Return)* – Updated to allow an ODFI to request a return for any reason.
- *Article Two, Subsection 2.13.3 (Indemnification by ODFI for Requested Return)* – Updated to remove restrictive language for entries qualified as reasons to request a return.
- *Article Two, Subsection 2.13.6.1 (Dishonor of Return by ODFI)* – Updated to remove reference to erroneous entry under list of qualified reasons to dishonor a return.
- *Article Three, Subsection 3.8.6 (Response to ODFI Request for Return)* – New subsection adding the requirement for the RDFI to advise the ODFI of its decision or the status of the ODFI's request.
- *Appendix Four, Part 4.2 (Table of Return Reason Codes)* – Updated to include modifications of the use of Return Reason Code R06.

Impact to Participants:

Originators, Third Party Service Providers and Third Party Senders: These participants may need education on the expanded use of Return Reason Code R06.

ODFIs and RDFIs: Financial institutions may need to update their procedures and training to manage the broader use of Return Reason Code R06.

Additional Funds Availability Exceptions

Effective October 1, 2024

Details:

The current Rules provide RDFIs with an exemption from funds availability requirements if the RDFI reasonably suspects the credit entry was unauthorized. This exemption encompasses cases of account takeovers, in which a party that is not the Originator is able to initiate an ACH credit from the Originator's account.

The Additional Funds Availability Exceptions Rule will provide RDFIs with an additional exemption from the funds availability requirements to include credit ACH entries that the RDFI suspects are originated under False Pretenses. RDFIs are still subject to requirements under Regulation CC for funds availability. An RDFI cannot delay funds availability because it has not monitored an ACH credit. However, an RDFI can delay funds availability if its fraud detection processes and procedures identify a flag. This rule is not intended to otherwise alter an RDFI's obligation to promptly make funds available as required by the Rules.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Three, Subsection 3.3.1 (General Rules for Availability of Credit Entries to Receivers)* – Updated to add exemptions for credit entries the RDFI suspects are originated under false pretenses.
- *Article Eight, Section 8.42 (False Pretenses)* – New section to define False Pretenses.

Impact to Participants:

ODFIs: ODFIs should be aware that they may be contacted by RDFIs that are taking advantage of the funds availability exemption.

RDFIs: An RDFI may need to update their policies and procedures to take advantage of the additional exemption. RDFIs using the exemption must take reasonable steps to notify the ODFI to inform it of the exemption.

Timing of Written Statement of Unauthorized Debit

Effective October 1, 2024

Details:

When a consumer Receiver notifies an RDFI of an unauthorized debit, the ARDFI must obtain a Written Statement of Unauthorized Debit (WSUD). Under the current Rules, the WSUD must be dated on or after the Settlement Date of the unauthorized debit entry. However, through digital notifications and alerts, a consumer may be able to report an unauthorized debit prior to its posting to the account.

The Timing of Written Statement of Unauthorized Debit Rule will allow a consumer Receiver to sign and date a WSUD on or after the date on which the entry is presented to the Receiver, even if the debit has not yet posted to the account. Information about the incoming debit may be via posting to the Receiver's account or by a notice of a pending transaction. This rule does not otherwise change the requirement for an RDFI to obtain a consumer's WSUD.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Three, Subsection 3.12.4 (Form of Written Statement of Unauthorized Debit)* – Updated to allow a WSUD to be signed and dated by the Receiver on or after the date on which the Entry is presented to the Receiver, even if the debit has not yet been posted to the account.

Impact to Participants:

RDFIs: RDFIs may want to explore ways to use electronic notifications and alerts, and electronic WSUDs. RDFIs may want to provide training for their front-line and operational staff to properly use and gain the full benefit of this new rule.

RDFI Must Promptly Return Unauthorized Debit

Effective October 1, 2024

Details:

The current Rules state that an RDFI must transmit an extended return entry for which it recredits a Receiver's account in such time that the entry can be 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 original entry. However, the Rules are silent as to the timeframe for the RDFI to return the entry after receiving a signed and dated WSUD.

The RDFI Must Promptly Return Unauthorized Debit Rule will require that an RDFI transmit the return of an unauthorized entry for which it has received a WSUD in such time that the entry can be made available to the ODFI no later than the opening of business on the sixth (6th) banking day following the completion of RDFI's review of the consumer's signed WSUD. In any case, the RDFI must transmit the return 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 original entry. This rule does not change the reasons or requirements for an RDFI to obtain a Receiver's WSUD.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Three, Subsection 3.13.1 (RDFI May Transmit Extended Return Entries)* – Updated to require an RDFI to transmit an Extended Return Entry so that it is made available to the ODFI no later than the opening of business on the sixth banking day following the RDFI’s completion of its review of the consumer’s signed WSUD.

Impact to Participants:

RDFIs: Some RDFIs may need to improve procedures for processing extended returns after receiving a customer’s completed WSUD. RDFIs may need to educate operations staff and update procedures related to handling customer unauthorized debit claims.

Fraud Monitoring by Originators, Third Party Service Providers, Third Party Senders and ODFIs

This Rule will be implemented in two phases:

Phase 1 – March 20, 2026 – On this date, the rule will apply to all ODFIs and those non-consumer Third Party Service Providers and Third Party Senders with an annual ACH origination volume that exceeds 6 million entries in 2023.

Phase 2 – June 19, 2026 – The rule will apply to all other non-consumer Originators, Third Party Service Providers and Third Party Senders on this date.

Details:

The current NACHA Operating Rules require Originators to use a commercially reasonable fraudulent transaction detection system to screen WEB debits and when using Micro-Entries. However, these requirements do not encompass any other transaction types., and do not currently apply to other types of debits or to any credits other than Micro-Entries.

The Fraud Monitoring by Originators, Third Party Service Providers, Third Party Senders and ODFIs Rule will require each non-consumer Originator, ODFI, Third Party Service Provider and Third Party Sender to establish and implement risk-based processes and procedures reasonably intended to identify ACH entries initiated due to fraud. Each of these parties will need to review at least annually their processes and procedures and make any appropriate updates to address evolving risks.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Two, Subsection 2.2.4 (Identification of Unauthorized Entries or Entries Authorized Under False Pretenses)* – New subsection to establish rules surrounding fraud monitoring.
- *Article Eight, Section 8.42 (Fales Pretenses)* – New section to define False Pretenses (This section will be effective October 1, 2024)

Impact to Participants:

Originators, Third Party Service Providers, and Third Party Senders: These entities may need to implement fraud detection processes and procedures if they are not doing so currently. There may be less of an impact for those that have already implemented commercially reasonable fraud detection for WEB debits and/or for Micro-Entries.

ODFIs: ODFIs may need to update their fraud detection processes and procedures to include credit entries, if these entries are not currently part of their review process.

RDFI ACH Credit Monitoring

This Rule will be implemented in two phases:

Phase 1 – March 20, 2026 – On this date, the rule will apply to RDFIs with an annual ACH receipt volume exceeding 10 million entries in 2023.

Phase 2 – June 19, 2026 – The rule will apply to all other RDFIs.

Details:

Currently, the Rules require ODFIs to perform debit transaction monitoring, but do not apply transaction monitoring requirements to RDFIs. However, existing regulatory obligations for financial institutions require monitoring for suspicious transactions.

The RDFI ACH Credit Monitoring Rule mirrors the Fraud Monitoring by Originators, Third Party Service Providers, Third Party Senders and ODFIs Rule in that it will require RDFIs to establish and implement risk-based processes and procedures reasonably intended to identify credit ACH entries initiated due to fraud. As with other entities, RDFIs will need to review at least annually their processes and procedures and make any appropriate updates to address evolving risks.

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Article Three, Subsection 3.1.10 (Identification of Unauthorized Credit Entries or Credit Entries Authorized Under False Pretenses)* – New subsection requiring monitoring of incoming ACH credits by RDFIs.
- *Article Eight, Section 8.42 (False Pretenses)* – New section to define False Pretenses. (This section will be effective October 1, 2024.)

Impact to Participants:

RDFIs: RDFIs that have not done so will need to establish processes and procedures reasonably intended to identify credit entries that are suspected of being unauthorized or authorized under false pretenses. For those RDFIs that already have such processes and procedures in place, they will need to ensure that their existing

processes and procedures are satisfactory under this rule, including updating such systems and their alert processes, if necessary. RDFIs may need to enable information sharing internally between teams that monitor transaction for suspicious activity and operations, product and relationship teams.

Standard Company Entry Descriptions – Payroll and Purchase

Effective March 20, 2026 – Originators may begin using the new descriptions as soon as practical, but must do so no later than March 20, 2026

Details:

The Standard Company Entry Descriptions Rule establishes two new Company Entry Descriptions, PAYROLL and PURCHASE. The POPYRAOLL Company Entry Description must be used for ACH credits bearing the PPD SEC Code that are for the payment of wages, salaries and other similar types of compensation. The objective of adding PAYROLL as a Company Entry Description is to reduce the incidence of fraud involving payroll redirections. RDFIs that monitor inbound AH credits will have better information regarding new or multiple payroll payments to an account.

The rule also establishes the Company Entry Description PURCHASE, which must be used for e-commerce purchases. An e-commerce purchase will be defined as a debit entry authorized by a consumer Receiver for the online purchase of goods. The new Company Description will enable identification of such e-commerce transactions. The rule defines e-commerce purchases for the purpose of using the new Company Entry Description

Technical Summary:

This rule modifies the following area of the *NACHA Operating Rules*:

- *Appendix Three, Subsection 3.2.2 (Glossary of Data Elements)* – Updated to add a new standard Company Entry Description for e-commerce purchases.
- *Appendix Three, Subsection 3.2.2 (Glossary of Data Elements)* – Updated to add a new standard Company Entry Description for PPD Credits for payment of wages, salaries and similar types of compensation.

Impact to Participants:

Originators, Third Party Service Providers, Third Party Senders and ODFIs: Originators, Third Party Service Providers, Third Party Senders and ODFIs that handle payroll and e-commerce purchase transactions will need to update their systems to use the required Company Entry Descriptions.

RDFIs: RDFIs may choose to take advantage of intelligence enabled by the new Company Entry Descriptions and may need to update their policies and procedures to do so. However, RDFIs will not be required to act as a result of the descriptors.