2021

NACHA Rules Update

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This 2021 NACHA Rules Update for ACH ("NACHA Update") is to provide a summary description of changes to the NACHA Operating Rules & Guidelines ("NACHA Rules"). The following summaries are laid out chronologically in the order of their effective date.

Please see the summary description as to each amendment noted below. For further information we recommend you obtain a copy of the 2021 NACHA Operating Rules and Guidelines. The NACHA Rules are published annually and may be referenced or ordered at www.nacha.org. The 2021 edition of the NACHA Operating Rules & Guidelines contains changes related to these amendments. 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.

Enforcement – Effective January 1, 2021

Details:

Defines an "egregious" violation as follows:

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

Technical:

The change allows the ACH Rules Enforcement Panel to determine whether a violation is egregious and to classify whether an egregious error is a Class 2 or Class 3 violation. Notably, the rule expressly authorizes NACHA to report Class 3 violations to various regulatory bodies including federal and state banking commissions, consumer protection bureaus, and other ACH Operators.

The following NACHA Operating Rules are impacted by the change to the Enforcement Rule:

- *Appendix Nine, Part 9.1 (Scope)*
- *Appendix Nine, Subpart 9.4.1 (Initiations of a Rules Enforcement Proceeding)*
- *Appendix Nine, Subpart 9.4.(Submission Requirements for Rules Enforcement Proceedings Initiated by the National Association)*
- *Appendix Nine, Subpart 9.4.4 (Assessment of Rules Enforcement Submission)*
- *Appendix Nine, Subpart 9.4.4.1 (Notice of Possible ACH Rules Violation)*
- *Appendix Nine, Subpart 9.4.6.2 (Responsibilities of Enforcement Panel)*
- *Appendix Nine, Subpart 9.4.7.4 (Class 2 Rules Violation)*

Appendix Nine, Subpart 9.4.7.5 (Class 3 Rules Violation)

Impact:

ODFIs and RDFIs should be aware of and should educate their customers on the changes in NACHA's enforcement practices and their potential impact on the enforcement process.

Expanding Same Day ACH – Effective March 19, 2021

Details:

Creates a third Same Day ACH processing window that expands Same Day ACH availability by 2 hours

- Currently, the latest that an ODFI can submit files of Same Day ACH transactions to an ACH Operator is 2:45 p.m. ET (11:45 a.m. PT)
- The new window will allow Same Day ACH files to be submitted until 4:45 p.m. ET (1:45 p.m. PT), providing greater access for all ODFIs and their customers
- RDFIs will need to be prepared to make funds available for credits processed during the new third window by the end of their processing day.
- International ACH Transactions (IATs), Automated Enrollment Entries (ENRs) and forward entries in excess of the per-transaction dollar limit are not eligible to be settled in the new Same Day ACH windows.

Technical:

The precise timing of ACH file processing schedules, including this new third Same Day ACH processing window, are not set in the *Rules*, but instead are determined by each ACH Operator. ODFIs need to determine with their Originators whether to implement Origination in the third Same Day window. RDFIs will need to update their processes and procedures in order to accommodate receiving the new late window Same Day ACH files and adding late day returns. RDFIs and Receivers must also be able to make late day credits available received in this window available by the end of their processing day.

The following changes to technical language represent modifications to the *NACHA Operating Rules:*

- *Article Three, Subsection 3.3.1.2 (Availability of Credit That Are Same Day Entries):* to address funds availability requirements for third-window Same Day Entries credits
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements) Company Descriptive Date):* to include the optional indicator for Same Day ACH entries that the Originator desires to settle in the third window.

Details:

Currently, ACH Originators of WEB debit entries are required to use a "commercially reasonable fraudulent transaction detection system" to screen WEB debits for fraud. This requirement has been supplemented to make it explicit that "account validation" is part of a "commercially reasonable fraudulent transaction detection system." The supplemental requirement applies to the first use of an account number, or changes to the account number. Originators will be responsible for performing account validations.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules:*

- *Article Two, Subsection 2.5.17.4 Additional ODFI Warranties for Debit WEB Entries*: makes explicit that a fraudulent transaction detection system must, at a minimum, validate the account to be debited.

Impact:

For existing WEB debit authorizations, this rule will be enforced from the implementation date. Originators who do not currently perform any fraud detection will need to develop a system to do so. Originators with a current fraud detection system will need to evaluate their current methods of fraud detection to determine compliance with the new rule and must implement any needed changes to bring their systems into compliance.

RDFIs may receive a greater volume of ACH prenotification, microtransactions, or other account validation requests.

Differentiating Unauthorized Return Reasons – (Phase 2 effective April 1, 2021)

Details:

Under Phase 1 of the Differentiating Unauthorized Return Reasons Rule, Reason Code R11 was repurposed to be used on the return of a debit with an error, but for which an origination authorization exists. Return Reason Code R10 continues to be used for cases where the consumer claims not to know or does not have a relationship with the Originator or did not give an authorization for the entry. R11s and R10s will share the same processing requirements and characteristics.

Under Phase 2, the existing Unauthorized Entry fee will become applicable to debit entries that are returned bearing reason code R11. This Rule will be implemented by ACH Operators and will, as with the current fee, be billed/credited on the financial institution's monthly statements of charges.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules:*

- *Article One, Subsection 1.11.1 (General Rule on Unauthorized Entry Fees)* updated to include Return Reason Code R11
- *Article 8, Section 8.111 (Unauthorized Entry Fee)* updated to include Return Reason Code R11

Impact:

ACH Operators must update their systems to accommodate the application of Unauthorized Entry Fees.

ACH Contact Registry – (Phase 2 effective April 1, 2021)

Details:

All Participating Depository Financial Institutions were required to register contact information for their ACH operations and fraud and/or risk management areas through NACHA's Risk Management Portal by October 30, 2020. In Phase 2, NACHA's enforcement authority for the Rule will become effective. ACH Participating Depository Institutions that do no register their contact information with NACHA may be subject to a rules enforcement proceeding and fines at that Class 2 violation level.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules:*

- *Appendix Nine, Part 9.3 (Participating DFI Registration Requirements)* renamed to apply to all Participating DFIs
- *Appendix 9, Subpart 9.3.3 (Participating DFI Contact Registration)* establishes NACHA enforcement authority with respect to the Rule
- *Appendix 9, 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

Impact:

All Participating DFIs must determine the appropriate contact information and develop processes to keep registry information current. Additionally, Participating DFIs must consider when and how they will use the registry and determine how to route and respond to inquiries they receive.

Supplementing Data Security Requirements – Effective in two phases (see "Impact")

Details:

The existing ACH Security Framework including its data protection requirements will be supplemented to explicitly require large, non-FI Originators, TPSPs and TPSs to protect account information used in the initiation of ACH entries by rendering it unreadable when it is stored electronically. The rule applies only to account

numbers collected for and 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 will begin with the largest Originators and TPSPs (including TPSs) and initially applies to those with ACH volume of 6 million transactions or greater annually. A second phase applies to those with ACH volume of 2 million transactions or greater annually.

Technical:

This Rule modifies the following areas of the *NACHA Operating Rules:*

- *Article One, Section 1.6 (Security Requirements)* Originators, TPSPs, and TPSs are required to render electronically stored account numbers used for ACH initiation as unreadable.

Impact:

- The Effective Dates for this rule change are split into two phases:
  - Phase 1 – June 30, 2021 for Originators and Third-Parties with ACH volume greater than 6 million in 2020
  - Phase 2 – June 30, 2022 for Originators and Third-Parties with ACH volume greater than 2 million in 2021
- After 2020, any Originator, TPSP or TPS originating 2 million or more Entries in any calendar year will need to comply with this rule by June 30 of the following calendar year

Limitation on Warranty Claims – Effective June 30, 2021

Details:

Currently, an ODFI warrants that an ACH entry has been properly authorized by the Receiver. Although the rules allow for an extended return for unauthorized entries for limited periods, there is no time limitation on the ODFI's warranties. The Limitation on Warranty Claims limits the lengthy of time an RDFI may make a claim against the ODFI's authorization warranty. This time during with the RDFI can make a claim against the authorization warranty is different for consumer and non-consumer transactions. (See Impacts for specific timeframes.)

Technical

This Rule modifies the following areas of the *NACHA Operating Rules:*

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

Impact:

- Time limitation on non-consumer accounts – 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 consumer accounts, the limit will cover 2 time periods:

  - 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. (e.g. The RDFI can make a claim for unauthorized debits settling within the most recent two years from the date of the RDFI's claim.)

  - 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 RDFI's 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.

Reversals – Effective June 30, 2021

Details:

Current rules permit a limited number of permissible reasons for initiating a reversal entry; however, the rules do not explicitly address the improper use 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.

Under the Reversal Rule, 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 are listed as examples of circumstances in which the origination of Reversals is improper. The text of the Rule will also include other non-exclusive examples of improper Reversals.

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. Additionally, the name of the Originator must reflect the same Originator identified in the Erroneous Entry to which the Reversal Relates.

- 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 R 11

Technical:

This Rule modifies the NACHA Operating Rules by both creating and modifying the following new sections:

- *Article Two, Section 2.9.1 (General Rule for Reversing Entries)* updated to include new reason code of an incorrect effective entry date and clarifies that an ODFI as well as an Originator may originate a Reversing Entry
- *Article Two, Subsection 2.9.2 (Formatting Requirements for Reversing Entries)* new subsection addressing new formatting requirements
- *Article Two, Subsection 2.9.5 (Improper Reversing Entries)* new subsection providing examples of improper Reversing Entries
- *Article Tw, 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 Two, Subsection 3.12.2 (Debit Entry Not in Accordance with the Terms of the Authorization)* updated to include improperly initiated reversals
- *Article Two, Subsection 3.12.2.4 (Improperly Initiated Reversal)* new subsection providing 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" descriptions updated to reflect new formatting requirements for reversals
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* "Originator Identification" updated to reflect new formatting requirements for reversals
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements)* "Originator Name" 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

Impact:

All Participating DFIs should review their practices, policies and controls to ensure that they are familiar with the proper formatting of reversals.

Meaningful Modernization – Effective September 17, 2021

Meaningful Modernization is composed of five separate rules intended to improve and simplify the ACH user experience by taking into account new technologies and channels for the authorization and initiation of payments. The new rules are intended to reduce barriers to the use of the ACH Network, provide clarity and increase consistency around certain ACH authorization processes.

The Meaningful Modernization 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 o 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.

Meaningful Modernization – Standing Authorizations

Details:

The Standing Authorization Rule (the "Rule") was developed to address situations in which Originators desire to use a payment model that incorporates aspects of both Recurring payments (i.e. payments which occur at regular intervals with no additional action required by the consumer to initiate the payment) and single entry payments. The Rule accounts for these types of hybrid payments which fall somewhere between Recurring and single payments.

The Standing Authorization Rule will define a standing authorization as an advance authorization by a consumer of future debits at various intervals and will allow future debits to be initiated by the consumer without any further action. Additionally, the Rule defines these "Subsequent Entries" as individual payments initiated based on a Standing Authorization which may be initiated in any manner specified in the Standing Authorization.

In addition to allowing for optional formatting, the Rule will offer Originators some flexibility in the use of consumer 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, regardless of how the Standing Authorization was secured. 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.

Standard code values used under the Rule will be "R" for Recurring, "S" for Single-Entry, and ST for Standing Authorization. An Originator may choose to include these values int eh 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 S 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."

Originators may choose to use Standing Authorization and Subsequent Entries but will not be required to do so. Those Originators choosing to use this authorization method my need to modify or add to their authorization practices and language.

Technical

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 defining 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 (Uwe 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

Impact:

With the implementation of the Rule, ODFIs may see some volume of Subsequent Entries with an SEC Code different that that required under current rules. Consequently, 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.

Meaningful Modernization – Oral Authorizations

Details:

Under the Oral Authorizations Rule will define and allow Oral Authorizations as a valid authorization method for consumer debits distinct from a telephone call; however, the Oral Authorizations Rule will not change how existing TEL transactions are used and authorized. Any oral authorization obtained via any channel will need to meet the requirement of an Oral Authorization and oral authorizations obtained over the internet that are not also telephone calls will also need to meet the risk and security requirements that currently apply to Internet Initiated/Mobile (WEB) Entries and will use the WEB SEC Code. This rule will allow for Standing Authorizations to be obtained orally and for Subsequent Entries under a Standing Authorization to be initiated through voice commands, instructions or affirmations.

Originators may choose, but are not required, to use the expanded applicability of Oral Authorizations. Those that choose to, must modify or add to their authorization practices and language to ensure they meet all for the requirements for Oral Authorization.

Technical:

Below is a summary of the impact of the Standing 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 Authorization

- *Article Two, Subsection 2.5.15.1(General Rue 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 or 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 for Oral Authorization; and maintain the exclusion of 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 use Oral Authorizations obtained via telephone call

Impact:

Originators may find that their digital storage needs will be impacted by using Oral Authorizations.

Because some 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.

Meaningful Modernization – Other Authorization Issues

Details:

The Other Authorizations Issues Rule covers other modifications and reorganizations of the general authorizations rules for clarity, flexibility and consistency. In general, the Other Authorizations Issues Rule will:

- reorganize the general authorization rules to better incorporate Standing Authorizations, Oral Authorizations and other changes,
- define "Recurring Entry" to complement the existing definition of a Single Entry and the new definition of Subsequent Entry and to align with terms in Regulation E,
- 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,
- apply standards of "readily identifiable" and "clear and readily understandable terms" to all authorizations, and
- apply the minimum data element standards that are currently stated only in the rules for Telephone initiated Entries for all consumer debit authorizations.

Technical:

- *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 Authorization)* 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 updated to reference Recurring Entries
- *Article Two, Subsection 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 and ODFI obligation for TEL Entries
- *Article Two, Subsection 2.5.15.2 (Authorizations 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 8.7 (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

Impact:

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

Meaningful Modernization – Alternative to Proof of Authorization

Details:

The Alternative to Proof of Authorization Rule is designed to relieve the administrative burden on ODFIs and their Originators for providing proof of authorization in every instance in which it is requested by an RDFI. This rule provides an alternative 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 continue to provide the proof of authorization within ten (10) days of the RDFI's subsequent request.

Technical:

- *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 a debit entry instead of providing proof of authorization and to allow the RDFI to make a subsequent request for proof of authorization

Impact:

ODFIs and their Originators may need to modify their business practices in order to take advantage of this rule.

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 proof of authorization in cases where a copy is still needed when ODFI has agreed to accept the return in lieu of providing the copy.

Meaningful Modernization – Written Statement of Unauthorized Debit Via Electronic or Oral Methods

Details:

The Written Statement of Unauthorized Debit Via Electronic or Oral Methods Rule makes it clear that an RDFI may obtain a consumer's Written Statement of Unauthorized Debit ('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.

Technical:

- *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.

Impact:

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

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 mee the requirement to provide a copy of the WSUD upon request.