



## 2016 NACHA Rule Changes

As part of our commitment to keep our Automated Clearing House (ACH) origination customers informed of changes regarding ACH electronic payments, we are providing the following summary of the 2016 Rule Changes by NACHA:

1. Compliance and Operational Topics/Minor Rules Topics, Effective January 1, 2016
2. Disclosure Requirements for POS Entries, Effective March 18, 2016
3. Same Day ACH: Moving Payments Faster (Phase 1), Effective September 23, 2016
4. Improving ACH Network Quality - Unauthorized Entry Fee, Effective October 3, 2016

This is only a summary and not intended to replace a detailed analysis your organization should perform to determine the specific impact these changes may have on your ACH origination processes.

For a complete list and description of the amendments and rule changes, visit [www.NACHA.org](http://www.NACHA.org).



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# 2016 NACHA Rule Changes

## 1. Compliance and Operational Topics/Minor Rule Topics, Effective January 1, 2016

### Clarifying the Commercially Reasonable Encryption Standard

NACHA Rules require all ACH participants to utilize a commercially reasonable standard of encryption technology. The update removes the reference to a minimum standard of 128-bit RC4 encryption.

**Originator Impact:** Businesses should utilize encryption standards that conform to a commercially reasonable standard in line with current guidelines.

## 2. Disclosure Requirements for POS Entries, Effective March 18, 2016

This Rule establishes an Originator/Third-Party Service Provider obligation to provide consumer Receivers with certain disclosures when providing those consumers with cards used to initiate ACH Point of Sale (POS) Entries.

**Originator Impact:** This change will require Originators and Third-Party Service Providers that issue ACH cards to provide consumer Receivers with information governing the card issuer, overdraft charges and fees, and benefits and protections related to card use at the time the card is issued. To minimize the compliance burden and associated costs, Originators and third-parties are allowed 12 months from the implementation date to provide new disclosures to existing cardholders. As with other Originator obligations, ODFIs warrant the Originator's/Third-Party's compliance with these obligations, but are not required to actively monitor or audit such compliance.

## 3. Same Day ACH: Moving Payments Faster (Phase 1), Effective September 23, 2016

The Rule will enable the same-day processing of virtually any ACH payment. Nearly all types of ACH payments, including both credits and debits, will be eligible for same-day processing. Only international transactions (IATs) and high-value transactions above \$25,000 will not be eligible.

The rule will become effective in three phases:

- Phase 1 - effective September 23, 2016 - credit entries with funds available at end of Receiving Depository Financial Institution (RDFI) processing day;
- Phase 2 - effective September 15, 2017 - debit entries with funds available at end of RDFI process-

ing day;

- Phase 3 - effective March 16, 2018 - credit and debit entries with funds available at 5:00 pm RDFI local time.

**Originator Impact:** Contact BJ Cooley at 601-671-2062 for more information and to determine if Same Day ACH is appropriate and cost effective.

#### **4. Improving ACH Network Quality - Unauthorized Entry Fee, Effective October 3, 2016**

This Rule is intended to improve ACH Network quality by reducing the incidence of ACH debits that are returned as unauthorized. Under this Rule, an ODFI will pay a fee to the RDFI for each ACH debit that is returned as unauthorized (return reason codes R05, R07, R10, R29 and R51).

**Originator Impact:** Originators will likely bear at least some of the costs initially borne by their ODFIs, such as through transaction, returns, and other service fees. Originators can avoid some of these costs, however, by reducing the number of transactions they originate that result in unauthorized returns.