



Setting the Standard: NACHA as Rulemaking Body

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The Automated Clearing House (ACH) network is a fundamental channel to exchange money between people, businesses and banks. Over the years, the ACH has continued to introduce new transaction types and applications within the framework of the rules, new guidelines and a focus on risk and fraud reduction in the network.

The ACH remains under the private-sector rulemaking of National Automated Clearing House Association (NACHA). With the increased scrutiny of ACH transactions by regulators and lawmakers, NACHA intends to continue driving fraud out of the network and retaining its position as the rulemaking body.

Third Party Sender Registry

NACHA is investigating the idea of a registry for Third Party Senders in the ACH network. This is similar to the third party agent registration lists with Visa® and MasterCard®. The stated purpose is "as a fundamental first step to understand 'who' and 'where' are the Third Party Senders" so that "NACHA can support better risk monitoring at the network level."

According to their communication regarding this registration, it would be up to the Originating Bank to register all Third Party Senders with whom they do business. This would be a mandatory registration. NACHA also notes how this will help Originating Depository Financial Institutions (ODFIs) to better underwrite their ACH relationships because of the clearly defined process and criteria for registration.

Although costs to do this mandatory registration haven't been communicated, based on the similarity to the card associations' registries, it is likely there will be an annual fee associated with this registration. The annual fee would create additional cost to Third Party Senders and provide another barrier of entry for those businesses wishing to expand their services into payments.

Reducing Return Rates

Effective September 15, 2015, the existing unauthorized return rate threshold will change from 1.0% of debit entries down to 0.5%. Also, NACHA will be introducing two other thresholds that merchants/originators must ensure they stay below or risk an inquiry and resulting fines. Those new thresholds are administrative debit returns at 3.0% of debit entries and overall debit returns at no more than 15.0% of debit entries.

Any unauthorized debit carries the following return codes: R05, R07, R10, R29 and R51. For those readers that do not speak NACHA, this means any transaction where you are attempting to draft money from an account and the account holder says they did not authorize this transaction, revoked their authorization of this transaction or the wrong code was used for the transaction.

An administrative return for a debit entry is identified using R02, R03 and R04 return codes. These reasons are for Account Closed, No Account/Unable to Locate Account and Invalid Account Number, respectively.

These thresholds even include transactions that are a result of a consumer entering their bank account information into your payment portal to initiate the payment. Since it's your payment portal, you are the originator, and thus, they can still cause you a return which leaves you accountable.

Although these rules are coming into effect shortly, NACHA hasn't created any new tools to assist the originator or the bank to ensure the transactions are approved before they send them through the network.

If you have concerns over how to authenticate your ACH transactions before you enter them into the network, FirstTech has several AAP's on staff to help answer your questions. If you would like to pursue a better methodology to validate your ACH transactions, call your FirstTech representative and we will work with you directly to put the appropriate tools in place.

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