



# 2016 *ACH Rules* Update for Originating Companies



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# 2016 RULES CHANGES

## Same Day ACH: Moving Payments Faster

*Phase 1 Effective September 23, 2016*

*Phase 2 Effective September 15, 2017*

*Phase 3 Effective March 16, 2018*

The Same Day ACH rule will amend the *ACH Rules* to allow for same-day processing of virtually any ACH payment. The Rule will enable ACH Originators to send same-day ACH transactions to any Receiving Depository Financial Institution (RDFI). The Same Day ACH implementation will be spread out over three phases beginning September 2016. Phase One will only allow ACH credits for same day processing. Debits will become eligible for same day processing in Phase Two and faster funds availability for same day entries will become effective in Phase Three.

**Impact to Corporate Users:** Businesses originating ACH payments should discuss Same Day ACH with their financial institution to determine whether it is appropriate and cost effective.

## Improving ACH Network Quality - Unauthorized Entry Fee

*Effective October 3, 2016*

The Improving ACH Network Quality – The Unauthorized Entry Fee will reduce the incidence of ACH debits returned as unauthorized. 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).

**Impact to Corporate Users:** Businesses originating debit entries may see transaction fees, return fees, or other service fees associated with unauthorized returns assessed by their financial institution. Questions related to fees should be discussed with their financial institution.

## Disclosure Requirements for POS Entries

*Effective March 18, 2016*

This Rule will establish an Originator/Third-Party Service Provider obligation to provide consumer Receivers with certain disclosures when providing those consumers with ACH cards used to initiate ACH Point of Sale (POS) Entries. It also provides a definition of an ACH Card.

**Impact to Corporate Users:** Businesses issuing ACH cards will need to provide disclosure regarding information about the card issuer to all consumers to whom they issue an ACH Card. The disclosure must state that POS entries that exceed the balance of a consumer's account may result in overdraft charges and fees even if the consumer decided not to allow overdrafts with debit cards issued by consumer's financial institution. The disclosure also must notify consumers that the benefits and protections for POS entries initiated by an ACH Card may differ from those that apply to debit cards issued by the consumer's financial institution. Contact your financial institution for sample disclosure language that will conform to the new standards. Card issuers must provide this disclosure to existing card holders. For cards issued on or after March 18, 2016, card issuers will need to provide disclosures to consumers prior to activation of the cards.

# MINOR RULES TOPICS

## Clarifying the Commercially Reasonable Encryption Standard

*Effective January 1, 2016*

The *ACH Rules* require all participants to use a commercially reasonable standard of encryption technology. The Rule update removes the specific reference to 128-bit RC4 encryption technology as the minimum commercially reasonable standard.

**Impact to Corporate Users:** Businesses should ensure that their encryption standards conform to a commercially reasonable standard in line with current, applicable regulatory guidelines and industry practice. Questions related to commercially reasonable standards of encryption technology should be directed to their financial institutions.