



NACHA Invites Comments on Proposed Rules to Improve ACH Network Quality

Executive Summary **November 11, 2013**

NACHA's Risk Management Strategy of 2012 seeks to ensure the safest and most secure ACH Network possible - providing a world class, quality resource to transact electronic payments. Each component of the Risk Management Strategy is an integrated component of the entire strategy.

Today, NACHA is issuing two proposed amendments to the NACHA Operating Rules as complementary approaches to improving ACH Network quality by reducing the incidence of exceptions. The first proposal would improve NACHA's ability to identify and enforce Rules against "outlier" Originators that are responsible for the highest, and most disproportionate, levels of exceptions. The second proposal would establish economic incentives for ODFIs and their Originators to improve origination quality, and provide partial cost-recovery to RDFIs for handling exceptions.

Taken together, these proposed Rules will contribute to a holistic, interconnected approach to strengthening ACH Network payments. Both approaches are intended to protect the safety, security and integrity of ACH Network payments and the consumers, governments, businesses and financial institutions who move their money via ACH.

NACHA is accepting comments on both proposed Rules until Monday, January 13, 2014. NACHA encourages responses from all ACH Network participants.

1. PROPOSED RULE ON ACH NETWORK RISK AND ENFORCEMENT TOPICS

The first proposed rule would strengthen existing risk management and rules enforcement provisions. Within this category of changes, the *Rules* proposal would:

- Reduce the existing return rate threshold for unauthorized debits from 1.0 percent to 0.5 percent;
- Establish a return rate threshold for account data quality returns (i.e., administrative returns) at 3.0 percent, and an overall debit return rate threshold of 15.0 percent;
- Clarify permissible and impermissible practices for the collection of ACH debits returned for insufficient funds and other reasons; and
- Explicitly apply certain risk management rules to Third-Party Senders.

In addition, the proposed rule would expand NACHA's authority to initiate enforcement proceedings for a potential violation of the NACHA Rules related to unauthorized transactions. Unauthorized transactions within the ACH Network have a particularly pernicious effect on ACH Network integrity, creating significant reputational issues for RDFIs and the ACH Network as a whole.

2. PROPOSED RULE ON IMPROVING ACH NETWORK QUALITY

The second proposed rule would improve ACH quality and reduce exceptions by establishing a system of economic incentives for ODFIs to improve the quality of the ACH transactions they originate. The proposed economic incentives are fees that would be applied to instances when:

- An RDFI returns an ACH transaction to an ODFI due to incorrect account data within the transaction;
- An RDFI corrects information within an ACH transaction and sends the correction back to the ODFI;
- An RDFI returns an ACH transaction to an ODFI due to a problem with the Receiver's authorization.

For each of these incentives, the fee would be paid by the ODFI and passed through to the RDFI to partially offset the RDFI's costs for exception processing and customer service.

COMMENT PROCESS

All NACHA proposed rules are open for public comment via a Request for Comment. NACHA encourages responses from ACH Network participants, including financial institutions, service providers, business users, government entities, associations, and other interested parties. The comment period on these two proposed rules will last 60 days and end on January 13, 2014.

For more information about the proposed rules and how to submit comments, please visit www.nacha.org.