



Request for Comment and Information ACH Risk Management Topics

Executive Summary **May 2, 2023**

Nacha is requesting industry comment on a set of Rules proposals and other concepts regarding ACH risk management. In September 2022, Nacha issued a new Risk Management Framework for the Era of Credit-Push Fraud. Nacha's previous risk management strategies for the ACH Network focused on protecting consumers, organizations, and their account-holding financial institutions from fraud due to unauthorized debits that pull money from their accounts.

Now, however, the most significant fraud threats to bank account holders involve fraud and scams that result in money being sent out of their accounts using credit payments, including ACH credits, wires, cards, and other instant and digital payments. As a new risk management strategy, the Framework is intended to bring the ACH Network and the broader payments community together to address an emerging and important area of need, and to provide an overarching direction for new initiatives, guidance, rules and industry tools.

The Framework identified three overarching objectives:

1. Increase awareness of fraud schemes that utilize credit-push payments.
2. Reduce the incidence of successful fraud attempts.
3. Improve the recovery of funds after frauds have occurred.

The rule proposals being issued today are substantially oriented towards reducing the incidence of successful fraud and improving the recovery of funds within the ACH Network.

The request for industry comment has two components. Nine specific proposals are being put forth as a Request for Comment to amend the Nacha Operating Rules; four other topics are being issued as a Request for Information to gather industry perspectives, but at this time are not specific proposals to amend the Nacha Rules. Each is identified below.

Request for Comment on Proposals to Amend the Nacha Rules

Nacha is issuing for comment nine specific proposals to amend the Nacha Rules:

1. Expand the existing requirement for commercially reasonable fraud detection to other parties in the ACH Network.
2. For RDFIs, establish commercially reasonable fraud detection of received ACH credits.
3. Allow an RDFI to use Return Reason Code R17 to return an ACH payment it identifies as fraudulent.

4. Allow ODFIs and Originators to use Reversals in cases in which an ACH credit was sent due to a fraud event or scheme.
5. Allow RDFIs an additional exemption from the funds availability requirement for ACH credits sent due to a fraud event or scheme.
6. Standardize the entry descriptions for payroll payments and e-commerce purchases to enable better transaction monitoring and risk management.
7. Standardize the formatting of individual names in consumer payments to enable better transaction monitoring and name matching.
8. Allow a consumer Receiver's Written Statement of Unauthorized Debit to be completed on the date an ACH debit is presented.
9. Require an RDFI to promptly return a consumer ACH debit after receiving the consumer's completed WSUD.

Nacha requests comment and feedback from the industry on all aspects of these Rules proposals. Comments and feedback are requested by Friday, June 16, 2023.

Request for Information

In addition to the Rules proposals described above, Nacha also requests the industry to provide information and perspectives on four additional risk management topics. While these topics are not being put forth at this time as proposals to amend the Nacha Rules, Nacha requests information and perspective from industry stakeholders by Friday, June 30, 2023 in order to inform the rulemaking process.

1. Should the Nacha Rules implement a new return threshold for ACH credit returns?
2. Should the Nacha Rules identify and define "Third-Party Receivers" as a type of participant in the ACH Network, and apply Rules accordingly?
3. Should the Nacha Rules require that when an RDFI provides early funds availability, it must employ a risk-based approach to determining eligibility?
4. Would a new Notification of Change (NOC) be useful to identify when there is a mismatch between the SEC Code and the account type (e.g., a CCD payment to a consumer account)?

Comment Process

All Nacha proposed rules are open for public comment via a Request for Comment. Nacha encourages responses from ACH Network participants and interested parties. Comments on the nine proposals to modify the Nacha Rules are requested by Friday, June 16, 2023. Responses on the Request for Information topics are requested by Friday, June 30, 2023.

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