



September 17, 2012

NACHA: Compliance and Operational Topics

Executive Summary

- NACHA - the Electronic Payments Association has issued a proposal to address certain compliance and operational topics on the Automated Clearing House (ACH) network.
- Specifically, this proposal would amend the NACHA Operating Rules (NACHA Rules) on four topic areas: 1) proof of authorization for non-consumer debit entries; 2) stop payments; 3) reversals resulting in a receiver being re-credited twice; and 4) notifications of change for single entries.
- NACHA believes that these four changes would benefit ACH network participants by clarifying meaning or intent, improving processing efficiency, and eliminating requirements that no longer add value to the ACH network.
- CUNA is interested in how this proposal would affect credit union operations and compliance on the ACH network.
- Comments for the proposed rule are due to NACHA by September 24, 2012; **please submit your comments to CUNA by September 19, 2012.**
- For further details, please visit the NACHA [request for comment executive summary](#); proposed [modifications](#) to the NACHA Rules; and their [ACH participant survey](#).
- Please e-mail your comments to CUNA Regulatory Counsel Dennis Tsang at dtsang@cuna.com. You may also call (800) 356-9655 extension 6733.

Background

The proposal would amend the NACHA Operating Rules (NACHA Rules) regarding:

1. Proof of Authorization for Non-Consumer Debit Entries - The proposal would permit the Receiving Depository Financial Institution (RDFI) to request proof of authorization and require the Originating Depository Financial Institution

(ODFI) to provide proof of authorization within 10 business days without charge, for entries to non-consumer accounts. (This proposed change is intended to facilitate the resolution of disputes and suspected entries between a business Receiver and RDFI in the limited circumstance where the business Receiver and Originator do not have an existing contract or relationship.)

2. Stop Payments - The proposal would add a new return reason code R90 to be used for the return of entries relating to a stop payment order from the Receiver requesting a stop on all future entries, and limit the use of current return reason code R08 (payment stopped) to stop payment orders on an individual transaction. (This proposed change is intended to provide more information about stop payments because it is not clear if the current use of R08 means the stop payment is on one, some, or all future entries)
3. New Dishonor Code to Account Re-credited Twice Due to Reversal, and New Contested Dishonor - The proposal would permit an ODFI to dishonor a return entry relating to an erroneous transaction provided that it can substantiate that it had also originated a reversing entry to correct the erroneous transaction. (This proposed change is intended to prevent the re-crediting of the Receiver twice when the Originator transmits a debit to a Receiver in error, and when: 1) the Originator then transmits a reversing credit to the Receiver; and 2) the original debit entry is also returned by the RDFI.)
4. Notifications of Change for Single-Entries - The proposal would make optional the Originator response to Notifications of Change (NOCs) for single entry payments. Originators would be encouraged to consider the nature of its business and the likelihood of receiving multiple single entry transactions when determining whether to act on NOCs for single entries. The proposed change would also allow an RDFI's initiation of an NOC for a single entry and would not mandate that the Originator make the changes provided in such NOCs. (This proposed change is intended to improve processing efficiency for some Originators and may also encourage communication between RDFIs and their Receivers.)

Questions to Consider Regarding the Proposal

1. Does your credit union support the proposed changes to the NACHA Operating Rules in these 4 areas? Why or why not?

a. The Proof of Authorization for Non-Consumer Debit Entries

b. Stop Payments

c. New Dishonor Code to Account Re-credited Twice Due to Reversal, and
New Contested Dishonor

d. Notifications of Change for Single-Entries

2. Do you have comments related to the benefits or the compliance costs associated
with this proposal?

3. Any other comments or suggestions?

Thank you for your comments.