

finovifi



ACH READINESS BRIEFINGS

Questions & Answers

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1. Does the Rule apply to all ODFIs for Phase 1?

Yes.

Fraud Monitoring by Originators, TPSPs and ODFIs

Effective dates

Phase 1 – March 20, 2026

- The rule will apply to all ODFIs
- The rule will apply to non-Consumer Originators, Third-Party Service Providers (TPSPs), and Third-Party Senders (TPSs) with annual ACH origination volume of 6 million or greater in 2023

Phase 2 – June 19, 2026

- The rule will apply to all other non-Consumer Originators, TPSP, and TPS

RDFI ACH Credit Monitoring

Effective dates

Phase 1 – March 20, 2026

- The rule will apply to RDFIs with annual ACH receipt volume of 10 million or greater in 2023.

Phase 2 – June 19, 2026

- The rule will apply to all other RDFIs.

2. Is there a requirement to screen individual ACH entries?

No, the rule requires a risk-based approach to fraud monitoring. You should apply resources and take extra measures to detect fraud in transactions that are determined to have elevated risks, Allows taking only basic precautions where it has determined that risks are lower. Cannot be used to conclude that no monitoring is necessary In other words, you must do something!

3. Are you required to monitor transactions prior to processing?

No, it is not required; however, this provides the greatest opportunity for preventing potential fraud. Proactive measures could be reserved for Originators deemed high risk. Reactive measures may be acceptable for lower-risk Originators

4. What action should an ODFI consider taking if an entry is identified as suspect?

For transactions that monitoring identifies as suspect, the ODFI can consider a number of actions. Actions may include, but are not limited to:

- stopping further processing of a flagged transaction;
- consulting with the Originator to determine the validity of the transaction;
- consulting with other internal monitoring teams or systems to determine if the transaction raises other flags; and
- contacting the RDFI to determine if characteristics of the Receiver's account raise additional red flags, or requesting the freeze or the return of funds.

With respect to debits, a robust return and return rate monitoring program in with existing Rules (as well as any required compliance with other specific fraud detection Rules for WEB debits and Micro-Entries) is sufficient as a minimum level of fraud monitoring.

5. Phase 1 for March is based on volume of 2023. Is the volume based on dollar amount or number of ACH transactions?

It is based on number of ACH transactions originated in 2023 and not total dollar amounts.

Fraud Monitoring: ODFIs, Originators, Third-Party Service Providers and Third-Party Senders

Effective date - Phase 1: March 20, 2026, for all ODFIs and non-Consumer Originators, TPSPs, and TPSs with annual ACH origination volume of 6 million or greater in 2023.

This rule amendment will require all ODFIs, and each non-Consumer Originator, Third-Party Service Provider, and Third-Party Sender with annual ACH origination volume in 2023 of 6 million or greater, to establish and implement risk-based processes and procedures reasonably intended to identify ACH Entries initiated due to fraud

Phase 2 – June 19, 2026

The rule will apply to all other non-Consumer Originators, Third-Party Service Provider, and Third-Party Sender.

RDFI ACH Credit Monitoring

Effective date - Phase 1: March 20, 2026, for RDFIs with annual ACH receipt volume of 10 million or greater in 2023.

The proposal will require RDFIs with annual ACH receipt volume of 10 million or greater in 2023 to establish and implement risk-based processes and procedures designed to identify credit Entries initiated due to fraud.

Phase 2 – June 19, 2026

The rule will apply to all other RDFIs.

6. Other than the institution requirements to determine if a financial institution falls under March or June dates, are there any different requirements for each date.

Example: Due to the volume, my institution falls under March but are there any additional requirements that I will need to follow in June. Are the March and June requirements the same?

There will not be any additional requirements for Phase 2, once you have complied with Phase 1. The monitoring process will be ongoing based on the initial Risk Assessment. The Rules will require a review of processes and procedures “at least annually.”

The fight against payment fraud is NEVER done. Your plan to comply with the new Nacha Rules requires continual evaluation. The threat of fraud is constantly evolving, and your fraud prevention needs to do the same.

ODFI Potential Impacts:

- Implementing or updating fraud-detection processes and procedures, particularly by organizations that are not currently performing fraud monitoring.
- Less impact for those who have already implemented a monitoring system for WEB Debits or Micro-Entries.

RDFI Potential Impacts:

- RDFIs will need to either establish processes and procedures reasonably intended to identify Entries that are suspected of being unauthorized or authorized under False Pretenses or ensure that existing processes and procedures are satisfactory

for this requirement, including updating such systems and their alerting processes, if necessary.

- RDFIs may need to enable information sharing internally between teams that monitor transactions for suspicious activity and operations, product, and relationship teams.
- While potentially significant, these impacts are intended to reduce the incidence of fraud that uses ACH payments.

7. Does NACHA have any templates for updates to existing agreements?

We are not aware of any Nacha sample templates, sample agreements, or sample addendums for ODFIs to use for any changes to their ODFI/Originator Agreements.

We recommend you consult with your legal department, legal retainer, for any agreement you establish with another party.

8. For the Company Entry Description, does PAYROLL, PURCHASE, etc. required to be in all caps?

The Company Entry Description field in the Company Batch Header Record of the Nacha ACH File format, is an alphanumeric field. The Nacha ACH Rules includes a requirement for various specific descriptions be in UPPERCASE characters. PAYROLL and PURCHASE Company Entry Descriptions are included in the Nacha requirements to be in UPPERCASE. Appendix One, Part 1.2 Data Specifications for ACH Records provides the specific Descriptions required to be in UPPERCASE.

9. If we do the risk rating manually, how do you recommend handling the scoring of the risk tiers (low/medium/high)? What would be examples of each tier?

Risk rating depends on risk tolerance. You may want to review or mirror the risk ratings for money laundering. Examples: Dollar amount, SEC code mismatch, dormant, multiple payrolls, uptick in deposits. We recommend working with the financial institution's compliance group regarding what is currently deemed as high-risk vs low risk. Determine if anything is currently automated.

Examples

High Risk:

Money deposited and withdrawn same day (unless this is a regular pattern)
A dormant account receiving numerous credits suddenly

Medium Risk:

Transactions that seem odd/anomalous. You want to continue to monitor

Low Risk:

Receiving payroll deposits on the 15th and 30th of each month.

Overall purpose is to look, add controls, monitor, review and update at least annually AND document. Any changes should also be documented.

10. Do you recommend the financial institution send a letter to their customers asking if they are in compliance with the requirements? Should the letter be signed by the customer and sent back to the financial institution?

Our interpretation of this question is that this is in reference to Originators or Third-Party Senders (TPS).

We do not feel a letter is sufficient and would recommend a checklist of the Rule requirement(s) be provided to the Originators/TPS requiring the signature of an authorized signer on the account and the signed form be returned to financial institution for retention. This would be considered a "Best Practice" and not a requirement of the Nacha Rules.

ODFIs have flexibility to consider the processes and procedures implemented by other participants in the origination of ACH entries in its fraud monitoring program. If ODFI relies upon Originator/TPS's fraud monitoring procedures, it should be addressed in the Origination and TPS Agreements.

11. How should we monitor Reversals>Returns? Just high velocity or something else?

We recommend ACH Reversals be monitored for velocity, anomalies, and improper reversals.

For ACH Returns, as an ODFI, you should currently be monitoring those to ensure originators do not exceed the Nacha established return rate thresholds:

Unauthorized Returns: 0.5% (includes return reason codes: R05, R07, R10, R11, R29, R51)

Administrative Returns: 3% (R02, R03, R04)

Overall Returns: 15% (all debit return codes excluding RCK)

RDFIs monitoring ACH Returns:

Nacha's Risk Management Advisory Group has released information on first-party fraud in the ACH Network. They have created a short-term workgroup focused on finding mitigants to the issue of first-party fraud. The workgroup meets every two weeks and is in the process of developing ideas that may evolve into industry education, guidance, rulemaking or other formal initiatives. In the meantime, the workgroup has identified actions that can be taken now by Receiving Depository Financial Institutions (RDFIs) to limit the effects of first-party fraud and reduce the effectiveness of first-party fraud strategies by fraudsters.

- Calculate an "RDFI Unauthorized Return Rate" for your institution as an RDFI.
- Regularly identify Receiver accounts at your institution that generate high volumes of R10 unauthorized returns that don't fit the pattern for typical unauthorized return claims.
- Many consumers see dispute/refund schemes promoted on social media. Educate your customers about their actual rights to dispute unauthorized transactions under Regulation E and their account terms. Promote proper channels and techniques for consumers to resolve disputes or revoke authorization with Originators. Provide notice that making false claims of unauthorized debits to obtain money from a financial institution is against federal law.

For more information visit:

<https://www.nacha.org/news/should-rdfis-have-role-identifying-first-party-fraud>

<https://www.nacha.org/news/first-party-fraud-challenge-all-parties>

12. Do we need to track the various return codes as well? (R01, R02, etc.)

Yes. R01, except for returns of RCK entries, should be included in your return rate monitoring for overall returns. R02 is included in the Administrative Returns Rate Threshold.

13. How should we monitor for Notice of Change (NOC) transactions?

We would recommend tracking anomalies in payment patterns, verifying receiver account names, and managing NOCs within six banking days.

14. How should we score IAT transactions? All high risk tier?

We would recommend IAT transactions be considered high risk due to the nature of these entries as they must comply with both Nacha rules and U.S. government OFAC regulations, which apply to all payments involving a foreign financial agency.

15. Do you have a checklist template available for FI's to use to have their originator customers sign? If not, please give us some things to consider putting in the document.

SFE has a Sample Originator's Checklist available in our online store. Please visit [SFE's Sample Originators Responsibilities Checklist](#). This is a document that can be tailored based on your originator portfolio. The document is complimentary to SFE members and only \$15.00 for others.

16. At the time of the new account opening, should we consider developing a questionnaire for the new account rep to get the customer to complete to provide the bank information regarding their ACH activity?

This may be overkill but could be helpful. Not many people really understand the payment rails and exactly what ACH is.

17. If we monitor ACH manually, what documentation will we be expected to provide to the examiners during an examination?

We recommend financial institutions document basic procedures for monitoring fraud risks, focusing on simple reviews tailored to fraud trends, with a low compliance bar: complete periodic checks and update as needed.

Key Monitoring Requirements

What to review: Specify report names (e.g., ACH reports) and frequency (e.g., each ACH window or daily morning)

Who monitors: Identify the department or individuals responsible.

Sign-off process: Detail how reviewers initial or sign reports to confirm completion

Fraud trend adaptation: Adjust monitoring based on past institution fraud or common industry patterns; evaluate if it's sufficient to detect these.

Documentation Needs

Include write-ups for report items: Note if fraud was found, actions taken (e.g., for confirmed cases), and who reviewed (beyond just the signer)

Expect low detail overall: periodic reviews and changes suffice for compliance; deeper info may appear in early risk assessments tied to the FI's risk tolerance, not audits.

General Best Practices from Compliance Guides

Start with risk assessment to prioritize high-impact areas, then define policies, controls, and key performance indicators.

Use techniques like regular audits, automated tools, and self-assessments.

Document everything: test dates, results, testers, and fixes; conduct ongoing entity-level checks by operations staff.

Train staff, report to management, and improve based on findings.

18. How detailed do you think ACH examinations will be after the June deadline date? Do you think they will give us time before they start doing a detailed examination?

Since the rules don't say what needs to be done, we would recommend providing auditors with documentation that you are doing something. SFE's ACH audit team shared they will ask what is being done and documentation. We are seeing Fis already updating ACH policies to indicate they are monitoring and including that an annual review will be performed and update(s) will be completed if needed.

Based on familiarity with FDIC examiners:

We do not think the examiners will weigh in on any compliance components outside of reviewing the ACH audit to ensure it is being performed.

They typically identify monitoring programs they like and share that information with any FI's they feel are deficient. The difficulty with most FDIC examiners is they don't typically tell you what you **MUST** do, just share what they see in the industry and let you guess what's needed.