



Important Updates for Your Business

Same Day ACH Effective September 23, 2016: Preparing for Faster Payments

Currently, most ACH payments are settled on the next business day. There are many uses of ACH payments, however, for which businesses and consumers could benefit from same-day processing. This NACHA rule change will enable ACH Originators that desire same-day processing the option to send same-day ACH transactions to accounts at any receiving financial institution (RDFI). The Rule includes a "Same Day Fee" on each Same Day ACH transaction so that RDFIs would recover, on average, their costs associated with enabling and supporting Same Day ACH.

The Rule will enable the option for same-day ACH payments through new ACH Network functionality, without affecting existing ACH schedules and capabilities.

Originating financial institutions (ODFIs) will be able to submit files of same-day ACH payments through two new clearing windows provided by the ACH Operators (Note: The actual ACH Operator schedules are not determined by the *NACHA Operating Rules*).

- A morning submission deadline at 10:30 AM ET, with settlement occurring at 1:00 PM.
- An afternoon submission deadline at 2:45 PM ET, with settlement occurring at 5:00 PM.

Generally, all types of ACH payments, including both credits and debits, will be eligible for same-day processing. Ineligible items include international transactions (IATs) and high-value transactions above \$25,000. Eligible transactions account for approximately 99% of current ACH Network volume.

All RDFIs will be required to receive same-day ACH payments, thereby giving ODFIs and Originators the certainty of being able to send same-day ACH payments to accounts at all RDFIs.

RDFIs will be mandated to make funds available from same day ACH credits (such as payroll Direct Deposits) to their depositors by 5:00 PM at the RDFI's local time.

To allow financial institutions and businesses to acclimate to a faster processing environment, as well as to ease the implementation effort, these new capabilities will become effective over three phases beginning in September 2016. More information will be distributed to outline the Bank's plan for offering Same Day ACH.

Important Update on Unauthorized Entry Fees:

In 2014, the NACHA membership approved a rule establishing an Unauthorized Entry Fee. Under this Rule, an ODFI will pay a fee to the RDFI for each ACH debit that the RDFI returns as unauthorized (i.e. a return that uses a return reason code R05, R07, R10, R29 and R51). The amount of the Unauthorized Entry Fee will be \$4.50 per unauthorized returns. This fee was based on results of a Receiving Depository Financial Institution (RDFI) cost study performed by an independent third party on behalf of NACHA. This new fee will become effective beginning with such return entries that have a Settlement Date of October 3, 2016. According to this Rule, the initial fee amount will be effective for three years, and then evaluated for any potential adjustment.

Reversals: Complying with ACH Network Rules

An Originator may Initiate a Reversing Entry to correct an Erroneous Entry previously initiated to a Receiver's account. The Reversing Entry must be Transmitted to the ACH Operator in such time as to be Transmitted or made available to the RDFI within five Banking Days following the Erroneous Entry. ACH Originators may reverse an ACH File or Entry that:

- a) Is a duplicate or an Entry previously initiated by the Originator or ODFI
- b) Orders payment to or from a Receiver different than the Receiver intended to be credited or debited by the Originator;
- c) Orders payment in a dollar amount different than was intended by the Originators;
- d) Is a credit PPD Entry satisfying each of the following criteria:
 - I. The credit PPD Entry is for funds related to a Receiver's employment;
 - II. The value of the credit PPD Entry is fully included in the amount of a Check delivered to the same Receiver at or prior to the Receiver's separation from employment; and
 - III. The credit PPD Entry was Transmitted by the Originator prior to the delivery of the Check to the Receiver.

The Originator must make a reasonable attempt to notify the Receiver of the Reversing Entry and the reason for the Reversing Entry no later than the Settlement Date of the Reversing Entry. For a credit PPD Entry, the Originator must notify the Receiver of the Reversing Entry at the time the Check is delivered to the Receiver.

Technical Requirements: The word "REVERSAL" is required to be placed in the Company Batch Header to indicate the item is a reversal. NOTE: It is important that to comply with the NACHA Operating Rules that Originators and Third Party Senders of Originators understand their obligation to comply with this Rule and change procedures accordingly.

How to Protect Against Bank Account Fraud

The best defense against bank account fraud is simple awareness and common sense. Some important points to keep in mind:

- If it sounds too good to be true, it probably is - Be Alert!
- Be suspicious if you are asked to deposit or cash a check and immediately hand over or wire a portion of the funds;
- Remember that you are responsible and liable for items you cash or deposit into your account. It may take time for a fraudulent check to be discovered and returned to the bank;

- Never be shy about asking for verification or independently researching an individual, a company or a check;
- Always ask your banker for assistance if you have any concerns about a check you are depositing or cashing;
- Remember that a wire transfer is an immediate form of payment that can outpace the amount of time it takes to determine that a check is fraudulent. Once a scammer has picked up funds that you have wired in exchange for a check, the wire transfer cannot be reversed, even if fraud is involved.
- Be wary of strangers who initiate a friendly conversation and eventually move to a discussion regarding a financial opportunity or need that requires you to deposit a check, wire money or share an account or credit card number. Consumers who live alone or have infrequent social contact can be especially vulnerable.
- Never give personal information to a stranger who contacts you, whether by telephone, email, or other means. This includes your social security number, bank account information, online banking credentials and credit or debit card numbers.
- Never try to lead on a scammer with the intention of “catching” them or getting back at them. You may unintentionally provide the scammer with additional information that can be used to defraud you.

Easy To Implement Fraud Prevention Methods That Could Save your Funds From Being Stolen.

Organizations today are faced with escalated fraud events and the increased opportunity a business has to be a victim of online fraud. One approach to mitigate against online fraud is to protect your banking information is to view your account balance every day and setting up additional security procedures with the Bank to mitigate against such fraud events. Inexpensive but safe methods to mitigate against a fraud event is to implement dual control whereby one individual initiates the ACH file or Wire Transfer on one PC and another individual on a different PC authorizes the transaction.

A second approach is simply implementing a process to view your online banking balance daily to quickly identify unauthorized transactions. Both of these simple procedures are easy to implement, inexpensive and could be what saves you from monetary loss and negative reputational risk.

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