

Same Day ACH On The Rise New Risks for Faster Fraud

Presented by:

Jill Hagan, MB Financial Bank
Todd Sholeen, Huntington Bank
September 17, 2018



NACHA Rule Change – Same Day ACH

- New rules have been adopted by NACHA to allow ubiquitous capability for same day ACH entries, which is being implemented in three phases:
 - September 23, 2016: Only Credit entries affected with funds available at end of RDFI processing day
 - September 15, 2017: Credit and Debit entries affected with funds available at end of RDFI processing day
 - March 16, 2018: Credit and Debit entries available at 5:00PM RDFI local time

ACH on the Same Day

- Certain Criteria is needed to be met to be eligible
 - The transaction cannot be above \$25,000.00
 - A file transmission (Example: payroll direct deposit) can be > \$25,000.00; however, an ACH transaction within the file cannot exceed \$25,000.00
 - International ACH transaction (IAT) do not qualify
 - Automated enrollment entry (ENR) do not qualify
- Pre-notifications, remittance information and notifications of change are eligible
- 99% of current ACH volume meets the criteria to be considered same day

Same Day ACH

- Properly setting the effective date for ACH entries, taking into account weekends and federal holidays, is especially important now that Same Day ACH has launched.
- The date must be set to an appropriate future "banking" date (a date the Federal Reserve is open.)
- Entries submitted on weekends are treated as if received on the next business day, so the future date must be set appropriately to the next banking date after the "received" date.
- A premium service fee maybe applied.

Resource Material

- NACHA website
 - <https://www.nacha.org/rules/same-day-ach-moving-payments-faster>
- Federal Reserve website
 - https://www.frbservices.org/resourcecenter/sameday_ach/index.html

ACH Fraud



- **Insight:** Fraudsters continue to succeed in their attempts to attack payment systems. Almost three-quarters (74%) of all organizations were victims of attempted or actual payment fraud in 2016, the largest share on record (Association for Financial Professionals). An astonishing **34% of government respondents** to a recent survey conducted by the Ohio State auditor **have no fraud protection systems for their bank accounts, and 31% are not sure if they do or not – leaving almost 65% especially vulnerable to an attack** (Ohio Auditor of State.)
- **Impact:** Municipalities, utilities, and educational institutions are not immune to, and in fact are often at greater risk for payment fraud than for-profit corporations. It's no longer a matter of if, but rather when and how often these organizations must deal with payment fraud and its consequences, both financial and reputational.

ACH Fraud

- **Risk of Electronic Fraud**

- Properly safeguarding against electronic fraud requires proactive daily monitoring. Without trained staff dedicated to this ongoing task, erroneous electronic postings may go unchecked, resulting in lost revenue.
- By ACH Rules, there is only a two-day banking window to return a CCD transaction.
- Unauthorized debit transactions can post as late as 5:00 pm (local time.)

- **Strengthen Fraud Protection**

- Reduce the risk of fraud and theft by implementing safeguards that make daily monitoring of fraudulent activity possible.

ACH Positive Pay



Enables companies of all sizes to safely allow electronic withdrawals from their business checking accounts by authorized vendors, suppliers, or trading partners, while controlling how much can be debited by each entity.

Features and Benefits:

- Protection against fraud and losses from unauthorized transactions.
- Client directed online decisioning capabilities gives you more control to monitor payments.
- Automatic cross-referencing of incoming ACH debits against authorized records.
- Save time by allowing certain payees to debit your account for payments to entities such as utility companies or for recurring payments.
- Capability to set maximum dollar limits by company to help manage unauthorized debit activity.
- View ACH Positive Pay history, along with “pay or reject” decisions, for each item.
- Receive optional email notifications informing you when you have items to review.

ACH Positive Pay

How It Works:

- Through your bank's online Treasury Management platform, you're able to maintain a list of entities authorized to debit your account, add new records, create an authorization from an item that was flagged for review, and set maximum withdrawal amounts for each company.
- Your bank then compares ACH debits attempting to post to your account with the information you provided. Then the bank identifies discrepancies. Through this online platform, you review your discrepancies and choose to pay one-time, pay on-going, or reject any items.

ACH Blocks & Filters

- ACH Block: All incoming ACH debit transactions blocked from posting to your account
- ACH Block: Best suited for accounts where you do not authorize ACH payments from vendors
- ACH Block: You do not have a view into the ACH attempt
- ACH Block: ACH transaction returned to originator
- ACH Block/Filter: Eliminates need to review & “decision” items daily
- ACH Filters: Pre-selected ACH debit transactions from designated originator with defined dollar amounts
- ACH Filters: Incoming ACH debits that do not match the predefined criteria will be returned

Questions?

Thank you!

Todd Sholeen, Vice President
Huntington National Bank
Todd.c.sholeen@huntington.com
312-802-2227



Jill Hagan, Senior Vice President, Division Manager
MB Financial Bank
JHagan@mbfinancial.com
708-857-4356

