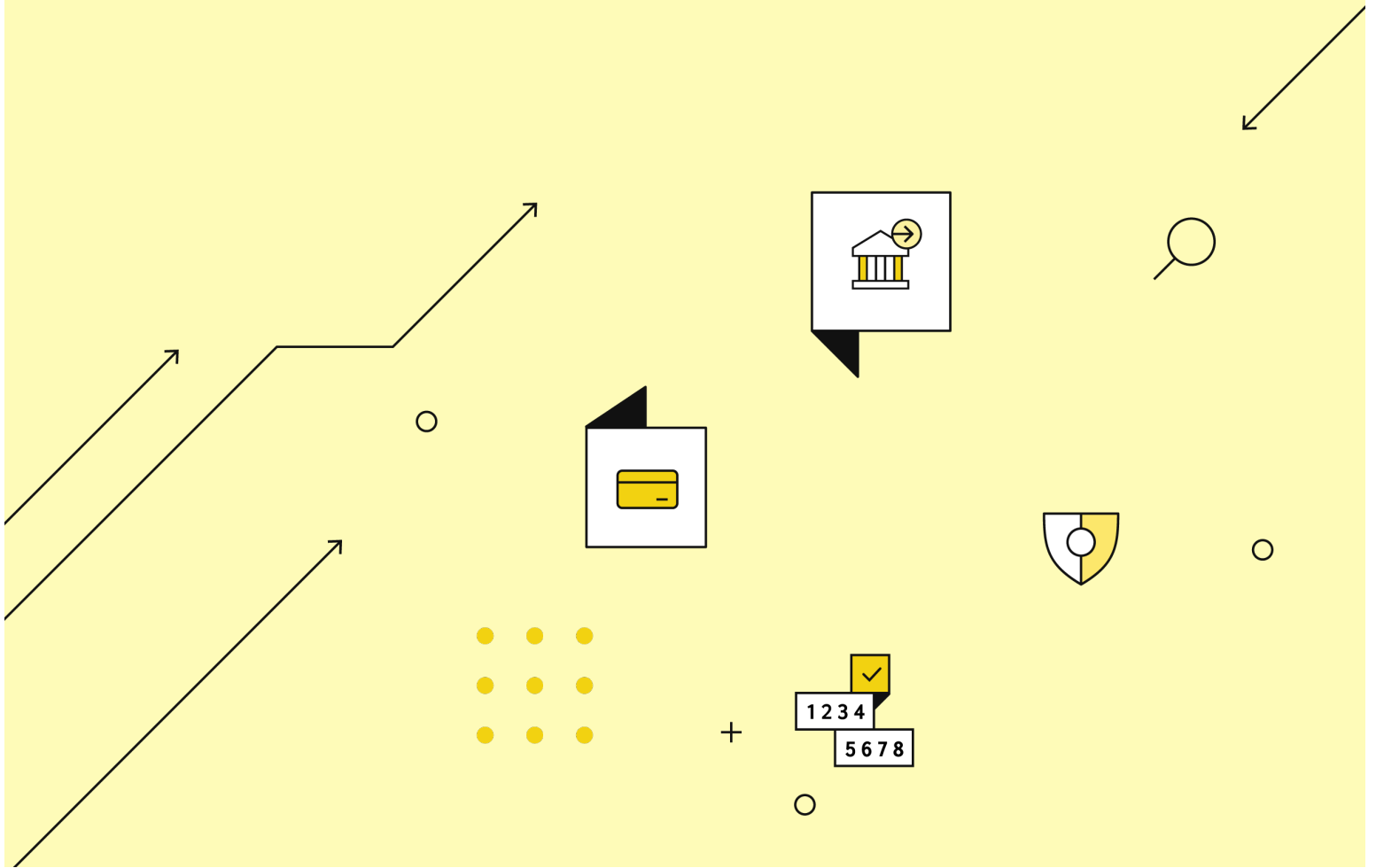


Nacha and you

Is your business compliant?



What is Nacha?

Nacha is the governing body that oversees the Automated Clearing House (ACH) Network. It develops rules and standards and ensures awareness by all network participants. It also provides enforcement of these rules, addresses claims of non-compliance, and promotes development and education around ACH. Learn more about the history and structure of Nacha [here](#).

ACH use is growing fast

The volume of online ACH payments is large and growing in every category year over year. While a staple for recurring payments such as direct deposit of wages and automatic utility bill payments, ACH usage for other types of transactions is on the rise.

Much of this growth has come from internet-initiated ACH transactions, also referred to as WEB entries. These can include bill payments such as mortgages, credit cards, and subscriptions, as well as high-ticket retail purchases and funding for banking or investment accounts.

In the second quarter of 2022, overall ACH payments volume grew by 3.5% compared to the same period in 2021, with a total of \$19.6 trillion in transfers. The volume of internet-initiated ACH payments for the quarter grew even more, at a rate of 8.2%, while the volume for Same Day ACH payments increased by 24.4%, with \$486 billion in transfers.

ACH CONTINUES TO RISE IN Q2 2022

\$19.6T	Value of all ACH payments
8.2%	Growth of internet-initiated ACH payments volume over Q2 2021
24.4%	Growth of Same Day ACH payments volume over Q2 2021

Source: Nacha



Nacha's Operating Rules

All ACH payments must conform to the Nacha Operating Rules, which define the roles and responsibilities for each network participant and establish clear guidelines. The Rules are updated regularly in an effort to ensure relevance with the latest technology and to better protect against threats and abuses, such as fraud.

In March of 2021, for example, Nacha implemented the WEB Debit Account Validation Rule, which requires account validation to be included as part of a reasonable fraudulent detection system for those accepting internet-initiated ACH payments. Its goal was to ensure the continued integrity and security of the ACH Network.

Similarly, in September of this year, a new rule defines Micro-Entries—used by some ACH Originators as a method of account validation—and standardizes Micro-Entry practices and formatting, changing how certain data fields must be set.

The importance of compliance

Compliance is a critical aspect for any business that originates ACH transactions. Any violation of Nacha Operating Rules must be addressed immediately and taken seriously, as it could lead to a Rules enforcement proceeding and possible fines or penalties, as well as termination of ACH processing capabilities.

For less egregious violations, the participant may simply be required to refund or correct the underlying transaction. However, a participant that continually violates Nacha Rules and causes high error or return rates—or that's responsible for other serious violations of the Rules—could face termination of their ACH origination or processing relationship.

Additionally, Nacha may levy fines ranging from \$1,000 to as much as \$500,000 per month for certain violations. Organizations relying on outdated processes that aren't Nacha-compliant are less likely to complete error or return-free transactions, or effectively screen for fraud, and may be at risk of Rules violations.



FINES FOR RECURRING NACHA VIOLATIONS

Class 1 violation	Class 2 violation	Class 3 violation
Recurrence of a previous rules violation by the same Originator, Financial Institution (Fi), or Third-Party Service Provider (TPSP) within one year.	Originator or TPSP fails to reduce and maintain unauthorized, administrative, and overall return rates.	Class 2 violation has continued for at least 3 consecutive months or Nacha believes an Fi, Originator, or TPSP has committed an egregious violation of the Rules (involving 500+ entries or aggregate amount of \$500K)
First recurrence: up to \$1,000	Up to \$100,000 per month until corrected	Up to \$500,000 per month until corrected
Second recurrence: up to \$2,500		
Third recurrence: up to \$5,000		

Plaid helps you stay up to date

A crucial component of any ACH workflow is account authentication—that is, validating that the account and routing number pair is correct for a given depository account. But staying current with Nacha’s continually evolving rules and guidelines can require time and resources that would be better directed towards growing your business.

That’s why all of Plaid’s [Auth](#) products are updated to help you stay in line with the latest Nacha rules relating to account validation. As a Nacha Preferred Partner, Plaid allows you to quickly and easily validate bank information for your ACH payments—letting you focus on the things you do best.



In addition, our Auth Type Select gives you the option to customize your account connection flow, offering multiple choices you can use in the way that makes the most sense for your customers:

Instant Auth: User enters their credentials and is authenticated immediately (the default flow).

- **Instant Match:** User enters their credentials, account number, and routing number. Plaid matches user input and authenticates immediately.
- **Automated Micro-deposits:** User enters their credentials, account number, and routing number. Plaid makes a micro-deposit and automatically verifies the deposit in as little as one to two business days.

Same Day Micro-deposits: User enters account and routing numbers. Plaid makes two Same Day ACH micro-deposits and the user manually verifies the deposits in as little as one business day.

Join thousands of innovators that are already building with Plaid. [Contact sales now.](#)



Plaid powers the digital finance solutions that enable millions of people to live healthier financial lives. Trusted by 6,000+ of the world's leading companies and connected to 12,000+ financial institutions across the US, Canada, UK, and Europe, Plaid's mission is to unlock financial freedom for everyone.