



June 30, 2023

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Re: Comments on Nacha Proposed Rules

Dear Ms. Barr and Ms. Bondoc:

PayrollOrg (PAYO), formerly the American Payroll Association,<sup>1</sup> appreciates the opportunity to comment on the proposed Nacha rules regarding changes to the ACH payments network. PAYO understands that in today's connected world there are more and more threats that face the ACH payment network. From some of the older fraud scams that have been around for years to newer more advanced scams that are taking hold in the modern world, PAYO is generally in support of the nine different proposed rules. PAYO offers the following comments on the proposed implementation of the rules.

Proposed Rule #1, *Expand Commercially Reasonable Fraud Detection*: This would "require each non-Consumer Originator, ODFI, third-party service provider, and third-party sender to establish and implement a commercially reasonable fraudulent transaction detection system with respect to its ACH Entries. PAYO is generally in support of the proposed rule.

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<sup>1</sup> Established in 1982, PayrollOrg is a non-profit organization serving the interests of more than 20,000 payroll professionals nationwide. One of PayrollOrg's core missions is providing representation for payroll professionals at the federal, state, and local levels. This is done primarily through PayrollOrg's Government Relations Task Force in which members educate government and community leaders about the payroll industry and the best practices associated with paying America's workers.



However, PAYO is concerned about how the ODFI would educate clients and what restrictions they may establish. A September 20, 2024, implementation date would be achievable if the proposed rule is adopted before September 20, 2023.

Proposed Rule #2, *RDFI Credit Transaction*: This proposal would require RDFIs to establish Commercially Reasonable Fraud Detection Systems that monitor their received ACH credit transactions. PAYO is generally in support of the proposed rule. However, PAYO is concerned about how the state regulations for payments and how RDFI's will be able to act on transactions that are flagged as fraudulent. Again, a September 20, 2024, implementation date would be achievable if the proposed rule is adopted before September 20, 2023.

Proposed Rule #3, *Expand Use of Return Reason Code R17*: This proposal would explicitly allow, but not require, an RDFI to use R17 to return an entry that it thinks is fraudulent. PAYO is generally in support of the proposed rule. However, PAYO is concerned about the March 15, 2024, date as it would be highly unlikely for software systems to be updated and tested in time for this proposed implementation date.

Proposed Rule #4, *Expand Use of Reversals for Fraud Recovery*: This proposal would require that a reversal attempting to recover from fraud use a distinct Company Entry Description to differentiate it from standard reversals for error. PAYO supports of the proposed rule. Again, a September 20, 2024, implementation date would be achievable if the proposed rule is adopted before September 20, 2023.

Proposed Rule #5, *Additional Exemption to Funds Availability Requirements*: This proposal would provide RDFIs with an additional exemption to include credit entries that the RDFI suspects are originated as a part of a fraud scheme or fraud event. PAYO supports the proposed rule. However, PAYO is concerned about the March 15, 2024, date as it would be highly unlikely for software systems to be updated and tested in time for this proposed implementation date.

Proposed Rule #6, *Standard Company Entry Descriptions*: This proposal would establish two new standard descriptions for specific payment purposes: (a) for PPD Credits for payment of wages, salaries, and similar types of compensation, the company entry description field must contain the description PAYROLL and (b) for e-commerce purchases, the Company Entry Description field must contain the description PURCHASE. PAYO supports the proposed rule and appreciates the clear labeling of payroll transactions. PAYO also does not see any issues with implementation of this proposal.

Proposed Rule #7, *Standard Use of Individual Name Field*: This proposal would standardize the formatting for the individual name field for consumer names. While PAYO generally

agrees that there should be a standard formatting of names, we have concerns that some payroll systems store the name differently so it could take additional programming no matter how the name is formatted in the file. Lastly, a September 20, 2024, implementation date would be achievable if the proposed rule is adopted before September 20, 2023.

Proposed Rule #8, *Timing of Written Statement of Unauthorized Debit*: This proposal is intended to improve the process and experience when debits are claimed to be unauthorized, and does not otherwise change the requirement for an RDFI to obtain a consumer's WSUD. PAYO supports the proposed rule and does not see any issues with implementation.

Proposed Rule #9, *RDFI Must Promptly Return Unauthorized Debit*: This would require that when returning a debit as unauthorized, the RDFI must do so promptly upon receiving a consumer's completed WSUD. PAYO supports the proposed rule. Expediting the return would benefit the accountholder and could reduce the need for other bank fees to be changed and disputed.

Thank you for your consideration. PAYO can be reached through Adam Prinzo at 516-761-2919 or [aprinzo@payroll.org](mailto:aprinzo@payroll.org).

Sincerely,



Adam Prinzo  
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For: Government Relations Task Force  
Electronic Payments Subcommittee  
Chairs Nancy Fletcher, CPP; Ronn Gilson, CPP; and Kristine Willson, CPP