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Via electronic submission

October 7, 2024

Ian Macoy
Director of Settlement Services
Bureau of the Fiscal Service
3201 Pennsy Drive, Building E
Landover, MD 20785

**RE: FEDERAL GOVERNMENT PARTICIPATION IN THE AUTOMATED CLEARING HOUSE
[FISCAL-2024-0001]**

Dear Director Macoy:

The Independent Community Bankers of America (“ICBA”)¹ welcomes the opportunity to respond to the Bureau of the Fiscal Service (“Fiscal Service”) notice of proposed rulemaking and request for comment on the Federal Government Participation in the Automated Clearing House (“ACH”). This proposed rule seeks to adopt recent changes to the *Nacha Operating Rules & Guidelines* (“*Nacha Rules*”) as the rules governing the use of the ACH Network by Federal agencies. Currently, Part 210 incorporates the *Nacha Rules* as set forth in the 2021 *Nacha Rules*. This proposed rule seeks to adopt changes from the 2022, 2023 and 2024 *Nacha Rules*.

Summary

The ACH system is the nationwide electronic fund transfer system that provides electronic payment-related store and forward messages between participating financial institutions. The rights and obligations among participants is governed by Nacha, an organization that builds industry consensus to create the Operating Rules & Guidelines and standards. Title 31 CFR Part 210 (Part 210) governs the use of the ACH Network by Federal agencies. The ACH network processed over 31 billion transactions valued at more than \$80 trillion in 2023², creating efficiencies for consumers, banks and the Federal government. According to the Federal Reserve Payments Study, ACH debits and credits are the leading consumer money movement type, processing a higher dollar amount of transactions than check, debit cards or credit cards.³ The Federal government is a large participant in the ACH system, from disbursing salaries for military personal to the many Americans who rely on Federal ACH transactions for the direct deposit of their Social Security.

¹ The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation’s community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America’s community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers’ financial goals and dreams. For more information, visit ICBA’s website at [icba.org](https://www.icba.org).

²NACHA, Celebrating NACHA’s 50th Anniversary (last visited Oct 4, 2024), <https://www.nacha.org/50th-anniversary#pageContent-3060>.

³ Board of Governors of the Federal Reserve System, *Federal Reserve Payments Study*, <https://www.federalreserve.gov/paymentsystems/fr-payments-study.htm> (last visited Oct. 4, 2024).

Generally, a community bank is a receiving depository financial institution (RDFI) for Federal payments. The Federal government is the originating depository financial institution (ODFI).

Fiscal Service proposes to adopt the following 2022, 2023, and 2024 changes to the Nacha Rules:

- 2022 Nacha Rules
 - Third Party Senders (“TPS”) and Nested TPS management changes
- 2023 Nacha Rules
 - Micro Entries Phase 1
- 2024 Nacha Rules & Guidelines changes
 - Micro-entries phase 2
- 2024 Nacha Rules Supplement #1, Risk Management Requirements
 - Expanded Return Reason Code R17
 - Expanded use of R06
 - Additional Funds Availability Exceptions – RDFI can hold funds up to Reg CC
 - Timing of Written Statement Unauthorized Debit (WSUD)
 - Prompt RDFI return of Unauthorized debits
 - Fraud monitoring by others
 - ACH credit monitoring by RDFIs
 - Standard Company Entry – PAYROLL PURCHASE
- Minor Updates
- Entry of Federal Government Transactions into the ACH Network
 - Eliminate section 210.2(d)(4).

ICBA Comments

ICBA supports Fiscal Service’s proposal to adopt the 2022, 2023 and 2024 amendments to the *Nacha Rules*. Community banks operate more efficiently when the public and private sectors adhere to a single set of ACH operating rules.

ICBA also supports the adoption of the 2024 risk management supplement. The supplement is the product of industry collaboration to address credit push fraud. These rules assist banks in stopping credit push fraud before it happens. The proposed expanded use of R06 and R17 codes will improve the recovery of funds originated due to fraud. The funds availability exceptions and WSUD timing changes in the proposal do not change regulatory requirements for funds availability but improve bank options when handling suspicious transactions. Community banks greatly value additional time to research when fraud is suspected and expanded codes to return fraudulent funds. These changes will support the recovery of government monies and ensure they are not distributed to criminals. Fiscal Service adopting these rule changes will save the government money by embracing the tools being implemented in the private sector.

Fiscal Service proposes the elimination of section 210.2(d)(4), which exempts Treasury transactions from the Nacha “two-day rule” requirement, which requires that the effective entry date be no more than two days following the date of processing. Private sector ODFI ACH files must have an effective entry date, the date the ODFI ‘wishes’ to have the transaction post, within two days from when the RDFI receives the file. The two-day rule has been a standard practice in the private sector for a very long time, supporting timely processing and posting of consumer transactions. While Treasury’s exception to the two-day rule was instrumental in growing ACH transactions over the last 50 years, ICBA is

delighted Treasury no longer believes that the exemption provides a material benefit to the government and ICBA fully supports the elimination of section 210.2(d)(4). Consistency between public and private sectors' operating rules benefits community banks and citizens.

We welcome the opportunity to partner with Fiscal Service to educate community banks on the rules. ICBA appreciates the opportunity to provide feedback on these proposed changes to 31 CFR Part 210. If you have any questions and would like to discuss educational outreach, please contact Kari Mitchum (kari.mitchum@icba.org) at (202) 659-8111.

Sincerely,

Kari Mitchum

Kari Mitchum
Vice President Payment Policy