

Nacha[®]

Staying Safe with ACH: Risk Mitigation Best Practices

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Who is Nacha?

- National Automated Clearing House Association – formed in 1974
- Nacha governs the modern ACH Network, a thriving payment system with the capability to reach all US bank and credit union accounts
- What we do:
 - Payment governance → ensure everyone “plays by the Rules”
 - Develop new Rules and Guidelines for the ACH Network
 - Advocate for a safe and secure ACH Network
 - Advance innovation and interoperability in the payments system
 - Payment education resources and accreditation programs
 - Provide solutions (Phixius, Risk Management Portal, ISO Mapping Guide, etc.), Nacha Consulting, and trusted provider programs (Nacha Preferred Partners and Nacha Certified)

ACH Essentials

ACH = Automated Clearing House

- Common names: “Direct Deposit” or “Direct Debit”, “direct push” or “direct pull”, “eChecks”, “automatic withdrawal”, “EFT”, “ACH B2B’ or ‘CCD/CTX”
- Can be sent (as an Originator) or received (as a Receiver)
 - Banks are necessary to move the files within the ACH Network
 - An ACH file can be only one payment or several at once
- Can be a Credit (pushed payment) or a Debit (pulled payment)
 - i.e. what’s happening in the Receiver’s account?

ACH B2B Growth

B2B payments are now the ACH Network's fastest-growing segment.

Q1 Volumes:

- 2024: 1.7B
- 2025: 1.9B **+9%**

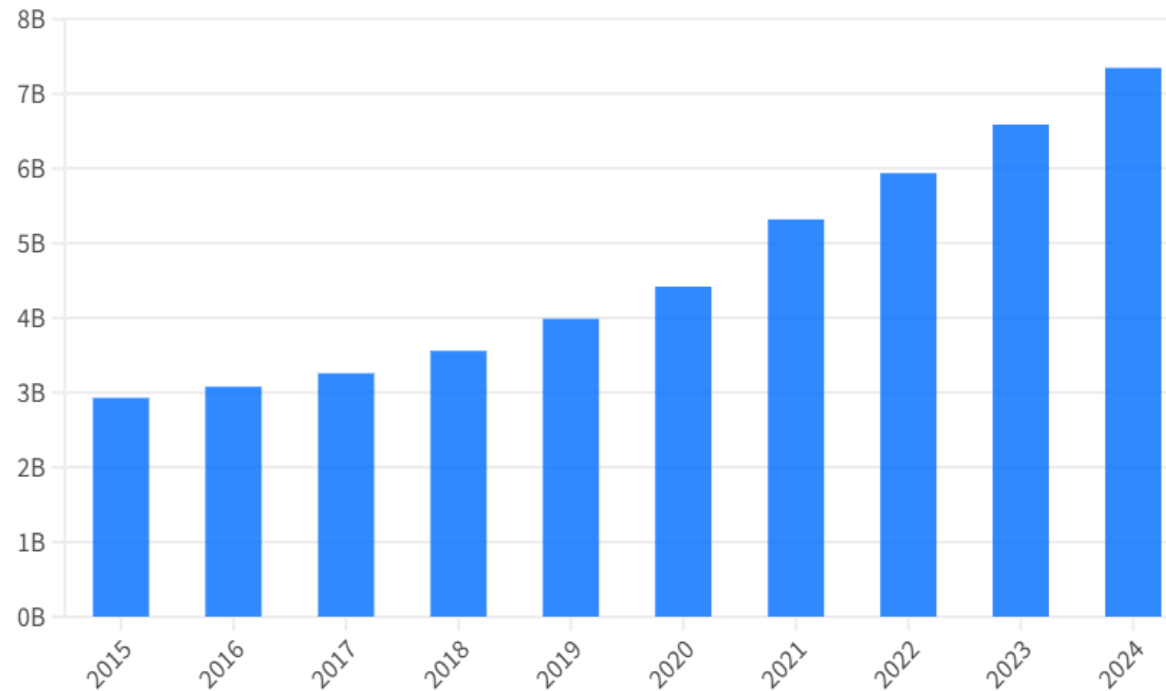
Q2 Volumes:

- 2024: 1.8B
- 2025: 2B **+10.6%**

More Business-to-Business Payments Using ACH

B2B Payments by Volume

BILLIONS



2024 Details

YoY Growth:

Payments: 11.6%

Dollars: 7.5%

Total Payments:

7.35 billion

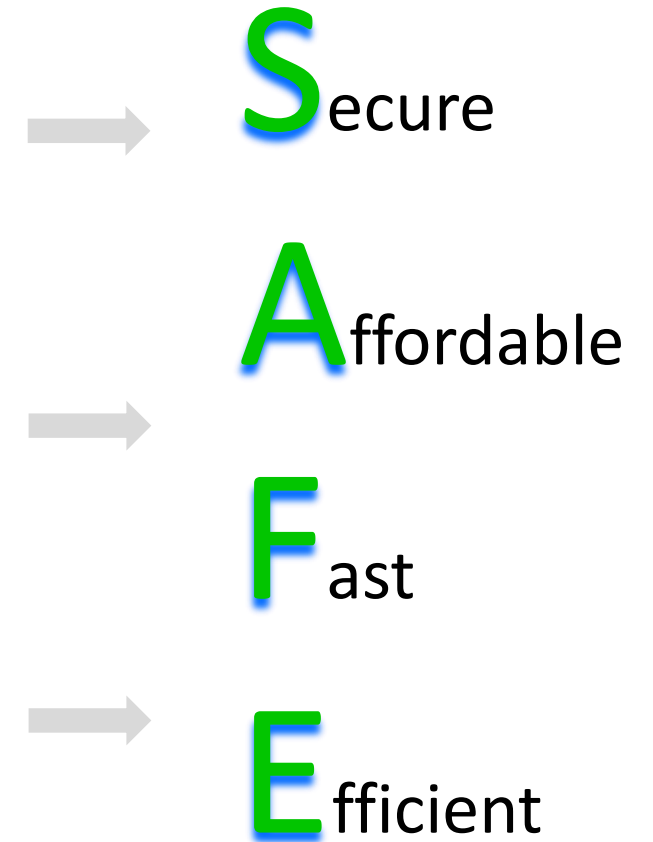
Total Dollars

Transferred:

\$58.24 trillion

Benefits of ACH

- Secure and reliable
- Efficient and cost effective – especially for payments in bulk
- Fast payments – faster with Same Day ACH
- Reduced potential for fraud, human error, etc.
- Revocability
- Improved reconciliation, processes, and data accuracy
- Streamlined B2B payment process
 - Dollars and data can be sent together using addenda records
 - Convenience of including invoice details along with payment
 - Robust, standardized formats
 - Cash application optimization
 - Enhanced cash flow and cash forecasting



Considerations of ACH

Like all payment types, ACH is unfortunately not risk free. Safe practices when originating and/or receiving ACH can better protect your business from:

- Financial loss
 - Erroneous payments
 - Operational mishaps/errors
 - Fraud incidents, especially BEC (“Business Email Compromise”)
- Reputational risk
- Regulatory/compliance violations

Considerations of ACH - Originating

- Originators inherently take on more risk than Receivers because they're putting payments into the ACH Network and warranting them.
 - Credit entries are also inherently riskier than debits, making ACH credit-push fraud a growing trend.
- Strong origination practices should be your first line of defense. However, ACH does have revocability options – unlike RTP/FedNow and Wire payment types that are irrevocable.
- Maximum of 5 business days to attempt a reversal if the payment was erroneous
 - i.e. incorrect payee details, amount, or effective date – or a duplicate payment
 - Insufficient settlement account funding is not an allowed reason for reversal
 - Reversals are an attempt at reclaiming funds rather than a guarantee
 - The receiving bank could reject/return the reversal entry

Best Practices for Originating ACH

- Recommendations:
 - Enhanced security
 - SSO and multi-factor authentication
 - Dual approval/control
 - Approved users and admins – and set limits
 - Use ACH file templates for regular files/payments
 - Establish recurring payments where possible
 - Know who you're paying
 - Validate accounts prior to sending
 - Verify requested changes to payment details prior to changing
 - Utilize an ACH payment checklist*
 - Regular/daily account monitoring and reconciliation

**see us at the Nacha booth*

Considerations of ACH - Receiving

- Per the ACH Rules, payments that will credit or debit a Receiver's account will be applied by the receiving bank unless there is an exception or denial/return. Receivers should ensure that any payments they would like to deny are returned timely to avoid unwanted debits posting to their account, potentially causing financial loss.
- ACH B2B payments ("CCD or CTX") require quick action for returns – within 2 business days (or "24 hours") to return
- Banks typically offer fraud prevention tools to commercial ACH Receivers

Best Practices for Receiving ACH

- Recommendations:
 - Enhanced security
 - SSO and multi-factor authentication
 - Approved users and admins
 - Fraud prevention tools
 - ACH Blocks
 - ACH Filters
 - ACH Positive Pay (review all incoming ACH debits for approval/denial before they post)
 - Anomaly detection
 - Tokenization of account numbers
 - Regular/daily account monitoring and reconciliation
 - Daily monitoring is especially important due to the 2 business day/"24 hour" rule for returns

Other Best Practices

- Using up-to-date security software, training resources, etc.
- Strong internal policies
 - i.e. approved users for ACH, processes and procedures, control measures, limits, etc.
 - The more the better!
 - Routinely reassess and update policies as needed
- Establish resiliency plans for fraud incidents* and for errors
 - Immediate actions
 - Post-mortem actions
- Discuss beneficial fraud prevention tools with your bank and with applicable vendors
- Routine training on recognizing emerging fraud trends and threats
- Stay connected to Nacha for:
 - ACH Rules updates
 - RMAG (Nacha's Risk Management Advisory Group)

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Be Proactive



Electronic Payment Checklist
before originating



Set a Response Action
Plan for BEC Incidents



Phixius – an Account
Validation solution
created by Nacha



Catch up with RMAG (Nacha's
Risk Management Advisory
Group)

APPENDIX

How Phixius Can Help Manage Payment Risk

- Created and operated by Nacha, Phixius is a trusted, secure, Peer-to-Peer payment information network facilitating the exchange of standardized APIs designed to:
 - improve the quality of ACH transactions
 - reduce payment risk
 - enhance compliance
- Phixius does not centralize data, but rather provides a trust framework for participants to exchange and verify payment-related information quickly and securely between each other.



How Phixius Can Help Manage Payment Risk

- Phixius can be used for:
 - Account validation and other verification services
 - Reducing risk/fraud potential and returns
 - Coverage gaps if using other validation services
 - Vendor master file updates
- The Phixius Advantage:
 - One contract with multiple validation opportunities
 - Not a “give to get” model
 - No end user registration
 - Real-time processing of validations (3 seconds or less)

