

## PNC ACCOUNT VERIFICATION SERVICES ADDRESSES THE NACHA WEB DEBIT RULE



### APPLICABLE TOOL TO ACH WEB DEBITS AND ALL OF YOUR ACH CREDIT AND DEBIT ORIGINATION PROGRAMS

Whether your program uses ACH debit and/or credit origination, you can use a tool that can help confirm an account is open, active and in good standing prior to initiating payments. PNC Account Verification Services can help you quickly assess the status of account numbers provided by your customers, vendors and employees in the creation of ACH payments. The service can help limit exceptions and increase confidence that a payment will not be returned, which helps to reduce the costs related to returns due to simple miskeying or purposeful fraud. If an account number is invalid or if the account owner does not match, you will know before a transaction is initiated.

### WHAT IS AN ACH WEB DEBIT, AND WHAT DO THE NACHA RULES STATE ABOUT WEB DEBITS AND ACCOUNT VERIFICATION?

An ACH WEB debit is used when obtaining online authorization from a consumer for their account to be debited via the ACH network. Using the ACH WEB debit entry type has always required a “commercially reasonable fraudulent transaction detection system.”<sup>11</sup> Effective March 19, 2021, the Nacha Supplemental Fraud Detection for WEB Debits Rule, a new requirement calls out “account validation” as part of the detection system. The new requirement applies to the first use of an account number or changes to the account number. Nacha suggests that prenoting and micro deposit entries can fulfill the Rule requirement; however, those methods take days to complete.

**For more information and details about the Rule, you can review on the Nacha website: [nacha.org](https://nacha.org).**

### UPDATE ON NACHA RULE: New Enforcement Date and the Effects of COVID-19

Originally approved by Nacha in November 2018, the Rule was initially slated to take effect January 1, 2020, though Nacha approved an extension of the effective date to March 19, 2021, to allow for additional time, education and guidance to be provided in the industry. Due to the impact of the coronavirus pandemic, Nacha will not enforce the Rule until March 19, 2022, with respect to covered entities that are working in good faith toward adherence but that require additional time to implement solutions.

While COVID-19 and its ongoing effects serve as the impetus for postponing the enforcement date of the Rule by 1 year, it is critical to note that the threat of payments fraud — prevention of which is the very purpose of the Rule itself — remains high and continues to grow. As such, Nacha strongly encourages all covered entities to work toward adherence as soon as possible.

### POTENTIAL IMPACTS OF THE NACHA RULE

Potential impacts can include the need for ACH originators to retool their existing fraud detection systems or implement a system if they are not already performing fraud detection for WEB debits, either of which could potentially increase the cost of originating WEB debits for some entities. In addition, receiving depository financial institutions (RDFIs) could receive a greater volume of ACH pre-notifications, microtransactions or other account validation requests, some of which could be in lieu of receiving live-dollar transactions initially.

**HOW CAN YOU PREPARE?**

Whether your program uses ACH debit and/or credit origination, you can use a tool that enables you to confirm an account is open, active and in good standing prior to initiating a payment.

**PNC Account Verification Services** can help you reduce misdirected payments (including fraud), limit exceptions and increase confidence that a payment will not be returned. If an account number is invalid or if the account owner does not match, you will know before a transaction is initiated.

**HOW PNC ACCOUNT VERIFICATION SERVICES WORKS**

Account verification is performed through the submission of inquiries. The contents of the inquiries are compared against a national shared account database and other primary data sources comprising current and accurate sources of financial data to help confirm the existence of an account, its status, its standing and, if preferred, its ownership or signatory authority, as well as other details. Additionally, the service works for both personal and business U.S. bank accounts.

For each inquiry, PNC Account Verification Services will deliver a standard response — from a limited population of possible responses — in as quickly as near-real-time. These responses will succinctly and intuitively inform you whether the contents of your submitted inquiry match against the source data to which the service has direct access, allowing you to take immediate action.

**PNC ACCOUNT VERIFICATION SERVICES CAN HELP**

- Detect social engineering and synthetic identity fraud scams aimed at diverting otherwise legitimate payments to an imposter.
- Optimize the timeliness and efficiency of payment operations while minimizing the volume of returned transactions and time spent both researching and resubmitting those payments.
- Confirm the current status and standing of an account in as quickly as near-real-time.
- Enhance and streamline payee and payment due diligence activities.

**USE CASES**

Beyond helping you adhere with the upcoming NACHA WEB Debit Account Validation Rule change, PNC Account Verification Services can be used in a number of capacities and for a variety of purposes:

- **Payables:** Help confirm third-party standing payment instructions prior to onboarding the entity and when making requested changes to such instructions.
- **Receivables:** Help confirm the presence of a stop payment order on a received check prior to initiating deposit of the item.
- **Shared Services:** Help confirm direct deposit instructions for new employees, thus expediting new-hire onboarding processes.
- **Transactions:** Help confirm account details in advance of releasing high-dollar, time-sensitive or otherwise critical one-time transactions.

**More Than One-Third of Businesses Are Victims of ACH Debit Fraud<sup>2</sup>**

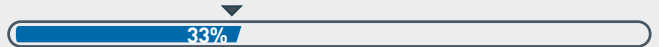


of organizations lost money to business email compromise (BEC)<sup>2</sup>

**81%** of organizations experienced actual or attempted payments fraud<sup>2</sup>



**33%** of organizations were subject to ACH debit fraud attempts/attacks<sup>2</sup>



**\$1.7B+** of organizations' money lost to BEC/email account compromise (EAC)<sup>3</sup>

## CONNECTION OPTIONS

With a number of available channel and connection options, you can easily integrate PNC Account Verification Services within your existing onboarding and payment workflows in a manner that works best for your organization.

- **PINACLE®**, PNC's corporate online and mobile banking portal is ideal for both near-real-time single-entry inquiries and batch file inquiries.
- An application programming interface (API) that directly connects your back-office or online enrollment systems with the service is ideal for near-real-time single-entry inquiries.
- A secure file transfer protocol (SFTP) connection is ideal for high-volume batch file inquiries.

As compared with other commercially reasonable fraudulent detection systems, PNC Account Verification Services' real-time access to a host of data points, vast account coverage and reach, and flexible channel options make it an ideal and optimal solution to help abide by the upcoming WEB Debit Account Validation Rule change.



## READY TO HELP

At PNC, we combine a wider range of financial resources with a deeper understanding of your business to help you achieve your goals. To learn more about how we can bring ideas, insight and solutions to you, please contact your Treasury Management Officer or visit [pnc.com/accountverificationservices](https://pnc.com/accountverificationservices).

<sup>1</sup> Nacha Operating Rules & Guidelines, Article Two, Subsection 2.5.17.4

<sup>2</sup> Association for Financial Professionals Payments Fraud and Control Report (2020)

<sup>3</sup> 2019 Internal Crime Report (FBI)

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