Profituity

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ACH Compliance Checklist for C–Suite

Ensuring compliance with the ACH (Automated Clearing House) network's regulations is essential for businesses processing electronic payments. Failure to comply can result in fines, legal challenges, and reputational damage. Use this checklist to ensure your business meets the key compliance requirements of ACH payments.

1. Authorization and Record Retention

☐ Obtain Proper Authorization:

- For **recurring ACH debits**, ensure you have **written authorization** from the account holder.

- For **one-time payments** over the phone, ensure you've obtained **verbal authorization** and have sent **written confirmation** or recorded consent.

☐ Retain Authorization Records:

- Maintain all ACH authorization records for **at least two years** after the last transaction.

- Store authorizations securely (digitally or physically) to ensure easy retrieval for audits or disputes.

2. ACH Return Code Accuracy and Management

☐ Assign Correct Return Codes:

- Ensure return codes are accurately assigned (e.g., RO1 for insufficient funds, RO3 for an account closed).

☐ Meet ACH Return Deadlines:

- Process returns within the **required deadlines**, including:

  - **2 banking days** for administrative returns (e.g., incorrect account numbers).

  - **60 days** for unauthorized transactions.

☐ Monitor and Address Recurring Returns:

- Regularly track and review patterns of returned transactions to prevent repeat issues.

3. Fraud Detection and Data Security

☐ Implement Strong Data Security Practices:

- Use **encryption** for all sensitive data, such as bank account numbers and routing numbers, during transmission and storage.

- Comply with **NACHA's ACH Security Framework** by ensuring all sensitive financial data is protected according to industry standards.

☐ **Adopt Two-Factor Authentication (2FA):**

- Implement 2FA for users accessing sensitive ACH data to ensure that only authorized individuals have access.

☐ **Monitor Transactions for Fraud:**

- Use **real-time fraud detection tools** that analyze transactions and identify suspicious behavior.

4. KYC (Know Your Customer) and AML (Anti-Money Laundering) Compliance

☐ **Verify Customer Identity (KYC):**

- Implement a **Customer Identification Program (CIP)** to verify the identities of all new customers. This includes obtaining information such as full name, address, date of birth, and government-issued identification number.

☐ **Conduct Ongoing Monitoring:**

- Continuously monitor customer transactions for unusual patterns that could indicate fraud or money laundering.

☐ **File Suspicious Activity Reports (SARs):**

- Ensure that any suspicious activity related to ACH transactions is promptly reported to the appropriate authorities.

5. Regulatory Compliance with NACHA Rules

☐ **Stay Current with NACHA Rule Updates:**

- Review and comply with updates to NACHA's operating rules, including recent changes related to **Same-Day ACHand data security.**

☐ **Ensure Timely Submission of Same-Day ACH:**

- Meet NACHA's **submission deadlines** for Same-Day ACH payments, ensuring that all payments are submitted on time to avoid delays or penalties.

6. Automating Compliance for Simplicity

☐ **Automate Authorization Retention:**

- Use automated systems to **store and track authorizations**, ensuring that all documents are securely retained and easily accessible for audits.

☐ **Automate Return Code Processing:**

- Implement tools that automatically assign and track ACH return codes, reducing the risk of errors and missed deadlines.

☐ Use AI for Fraud Detection:

- Leverage AI-driven systems to **monitor transactions in real time**, flagging potential fraud and reducing the risk of unauthorized transactions.

☐ Generate Automated Compliance Reports:

- Use automation to generate **audit-ready compliance reports**, ensuring that your business is always prepared for regulatory reviews.

7. Final Steps for Compliance

☐ Conduct Regular Compliance Audits:

- Schedule internal audits to regularly review your business's ACH compliance procedures.

☐ Train Employees on ACH Compliance:

- Ensure that all staff involved in ACH processing are trained on NACHA's rules, KYC/AML requirements, and data security best practices.

☐ Partner with a Trusted ACH Processing Platform:

- Use a trusted platform like **PlatformNext** to simplify compliance management with built-in tools for **authorization tracking, real-time fraud detection**, and **automated reporting.**

ACH Compliance Made Simple with Automation

By automating key aspects of your ACH processing, your business can reduce the risk of non–compliance, eliminate manual errors, and stay ahead of regulatory changes. **PlatformNext** offers a comprehensive solution that simplifies compliance while ensuring your business remains secure and efficient.