

FIS

Q&A for financial institutions

Modernizing ACH

Unlocking the case for a unified platform

ACH officially crossed its 50-year milestone following its formation in 1974, and much of the infrastructure banks rely on to process it hasn't aged as gracefully. We sat down with Stacey Gross, business lead for FIS® Money Movement Hub, to talk through why ACH modernization has become a strategic priority and what it takes to modernize without the disruption financial institutions fear.



Stacey Gross
Sr. Director, Commercial Product Management, Head of ACH and Instant Payments North America at FIS



Q: ACH has been around for over five decades. Why is modernizing it suddenly a strategic priority?

A few converging forces are applying the pressure to modernize. Payments are moving toward real time, and while ACH has same-day capabilities, it isn't real time. Maintaining point solutions, including those that rely on mainframe technology, are slow to innovate. Many organizations want to take advantage of APIs that support intelligent routing and continuous processing but are running on legacy mainframe architecture that's not built for this type of capability.

High volume also presents challenges for many solutions. Unlike a wire transfer or an instant payment, which leverage real time gross settlement (RTGS) that settles one transaction at a time, ACH supports net settlement, moving in batches. An institution can have a single batch containing thousands of entries. Historically, there's been concern about whether an API can support that kind of volume without bogging the system down. But modern platforms are designed to support bulk APIs.

ISO 20022 is another driver. RTP® and FedNow® went to market leveraging the ISO 20022 standard, with Fedwire® following suite last year. ACH is one of the last major U.S. rails still operating on a proprietary (Nacha) format. That's a growing challenge for institutions that want intelligent routing across multiple payment rails. This is why platforms like the FIS® Money Movement Hub, which can translate between schemes, have become game changers. The ability to natively translate between Nacha and ISO 20022 opens up significant opportunities for financial institutions.

Q: What are the key points of recent Nacha rules?

Overall, the updates are designed to strengthen fraud detection and risk management across the ACH network, particularly as ACH volumes continue to grow (thanks to the industry's constant innovation in ways to move money). The rules focus on improving transaction monitoring, reporting and risk management practices so financial institutions can better identify and prevent fraudulent transactions.

Q: What does this mean for community financial institutions?

Community banks and credit unions will need stronger monitoring and risk management processes. Many rely on manual processes or fragmented systems to review transactions and manage ACH risk, which can create operational inefficiencies and make it harder to detect fraud patterns at scale.

Receiving Depository Financial Institutions (RDFIs) in particular, are expected to take on a more active role, with a new rule requiring RDFIs to have a risk-based process in place to monitor received ACH credits for fraudulent activity. With the rise in authorized credit push fraud, this focus on credit signals a shift; historically, the payments industry has been focused on unauthorized debit fraud.

Q: How does the workforce factor into the push toward modernization?

This is an area that often gets overlooked. ACH is a knowledge and procedure-heavy payment type and many teams that have supported it for decades are moving out of the workforce – and taking their knowledge with them.

We've seen this with clients on our heritage applications. Outreach to payments providers has gone up because the in-house expertise that typically handles issues internally isn't around anymore. New team members often come from a non-payment background, so bringing them up to speed on ACH is one hurdle – and doing it on standalone mainframe COBOL is another. Finding experienced COBOL developers presents its own challenge.

Q: How does a unified payments platform help?

A unified payments platform can help financial institutions move money securely, efficiently and in compliance with evolving network rules and regulatory expectations. Platforms like the Money Movement Hub help financial institutions manage multiple payment rails, including ACH, FedNow®, RTP® and Fedwire®, through a single infrastructure. When an update hits the underlying architecture, that's a single release across multiple rails, not separate ones.

A unified platform improves visibility, operational efficiency and compliance oversight. Money Movement Hub's integrated fraud and sanctions monitoring capabilities allow financial institutions to react to suspect transactions pre-processing. This empowers institutions to move from from a reactive posture to fraud to a proactive one.



Q: Migration is typically where a lot of modernization projects stall. How can institutions move forward without adding risk?

Data migration is definitely one of the biggest concerns we hear from clients. They want to know how decades of configurations, setups and data will transfer to a new platform – especially when multiple solution providers are involved. The good news is that we've developed migration scripts to handle most of the work for Money Movement Hub implementations.

Migration offers a great opportunity to crack open legacy processes. A tactical example is ACH account "swap" records. An account comes in as 1234, but it's really 12345 on the financial institution's core deposit system, so the bank swaps it automatically every time. Clients have these by the thousands, often accumulated through mergers and acquisitions, and many haven't been used in years. Part of what our implementations playbook includes is walking clients through pre-implementation hygiene checks of their current data environment. It's an opportunity to decide what still makes sense and where there's room for operational efficiency, so we're not carrying legacy clutter forward.

Q: What do you see as the real game changer in modernizing ACH?

Real-time, in-line fraud and sanctions monitoring for ACH is huge. Everyone has fixated on this for instant payments for obvious reasons, but the new Nacha rules caught a number of solution providers and financial institutions off guard. Having in-line fraud and sanctions screening for ACH enables institutions to catch suspicious transactions before they go out the door rather than trying to claw them back afterward.

For example, an outgoing ACH payroll file of credits in an isolated ACH system might look completely normal. But on a unified platform where wire also resides, you gain the visibility to know whether that payroll file was funded by a suspect incoming wire. That's the type of cross-channel risk monitoring that's not available with most standalone systems.

Q: Any last thoughts for institutions weighing the decision for ACH modernization?

ACH runs on a proprietary Nacha format while the rest of the payments world has moved to ISO 20022. Today, most financial institutions and many of their corporate originators handle that translation themselves or buy a third-party tool to do it.

Money Movement Hub is ISO 20022 native, with built-in translation between Nacha and ISO formats in both directions. Looking toward the future, when ACH is ready to support ISO, the platform is designed to make it a shift instead of a full lift and shift. The aim is to prepare for what's coming so you can flex, not rebuild. And that's really the point of modernizing once. You take the next step on a path that's already built for you rather than treating every new rule as another disruptive project.

For more information about the FIS Money Movement Hub, contact your FIS customer care representative.



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