ACH Audit

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Agenda

- Why Audit ACH
- Planning for the ACH Audit
- Audit Requirements For Participating DFIs
- Audit Requirements for RDFIs
- Audit Requirements for ODFIs
- Other Areas of Consideration

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Why Audit ACH?

- Improves quality and confidence of ACH Network

- Allows financial institution to uncover areas of risk and potential losses

- Allows an opportunity to learn if sending and receiving points are in compliance with Rules

- Gives personnel an opportunity to improve procedures and determine the need for training and/or tools

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Why Do We Need To Comply?

- All DFIs, Third-Party Service Providers and Third-Party Senders that send or receive ACH Entries agree to be bound by the Nacha Rules
  - Article One, Subsection 1.2.2
  - Operating Guidelines: Chapter 56 – Rules Compliance Audits

- Enhance ACH quality and customer satisfaction

- Improve operational efficiencies and lower processing costs

- Avoid fines

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The ACH Audit

- Each Participating DFI, Third-Party Service Provider or Third-Party Sender providing ACH services must conduct an ACH audit
  - In accordance with standard auditing procedures
  - By December 31
  - Under the direction of audit committee, audit manager, senior level officer, or independent (external) examiner
  - Retain a copy for six years
  - Provide to Nacha within 10 Banking Days upon request

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Conducting the Audit

- Audit period – isolate a timeframe
  - Focal 3-month, 1-month, 2-week period
    - Not practical to review or verify every ACH Entry
  - Use "sampling" to predict with a certain degree of confidence
    - Sample size determined by:
      - Risk
      - Variability of process: manual vs. automated
      - Adequacy of procedures
    - Determine a method of selection:
      - Random
      - Systematic
      - Block sample

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Document Checklist

- Previous ACH Audits
- ACH Policy & Procedures
- Daily transaction listings
- Rejected Entry reports
- Return Entry reports
- NOC reports
- Statements

- Account Agreements
- Regulation E Disclosures
- BSA/AML Policy (including OFAC)
- Data security policies & processing contingency plans
- KYC policies and procedures
- Credit underwriting policies

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ACH Resources

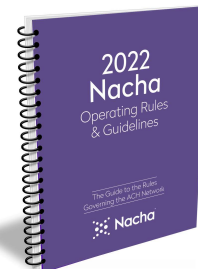- Resource Publications:
  - 2022 ACH Rule Book
  - ACH Audit Checklist
  - ACH Audit Guide
  - Regulation E
  - Green Book and 31 CFR 210

2022 Nacha
Operating Rules & Guidelines

The Guide to the Rules Governing the ACH Network

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Audit of Rules Compliance
Article One, Subsection 1.2.2 & 1.2.2.2

- Verify that Participating DFI completed an audit of its compliance with the Rules for the previous year
  - Audit must be performed every year by December 31st
- Verify that copies of the previous 6 audits are available for review and provided to the National Association upon request

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ACH Risk Assessment
Article One, Subsection 1.2.4

- Verify the Participating DFI has conducted an assessment of the risks of its ACH Activities and has implemented a risk management program on the basis of such an assessment
    - Has the ACH Risk Assessment been approved by upper management?
    - Is the ACH Risk Assessment reviewed on an annual basis or when a new product or service has been added?

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Risk Assessments Considerations

- A Risk Assessment should at a minimum cover the following topics
    - Broad risk categories include:
        - Operational Risk
        - Return Risk
        - Credit Risk
        - Fraud Risk
        - Compliance Risk
        - Reputational Risk

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Operational Risk

- Who has system access
- How is customer/client information retained
  - Electronically
  - Paper / hard copy
- Dual controls for transaction processing
- Business Continuity plan / data breach plan
- Procedures in place for operating
  - File creation, reversal handling, return and correction handling

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Return Risk

- Are you sending debits or credits
- If sending debits, how are you monitoring return ratios
- Appropriate authorizations in place

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Credit Risk

- Who do you do business with
  - Will you process for anyone asking or do you have an onboarding process/documented criteria that needs to be met
- How do you determine your customer/client can pay you
- Do you establish exposure limits / processing caps
- Do you periodically review to ensure continued creditworthiness
- Can you identify a deteriorating financial situation
- Do you have an exit strategy

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Fraud Risk

- Can someone change information in a file
- If you are obtaining authorizations online, how do you ensure that information is secure
- WEB and TEL debit requirements outlined in agreements

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Compliance Risk

- FFIEC/OCC Guidance
- Nacha Rules
- SEC-code related compliance (authorizations, TEL and WEB requirements) applicable to anything involving a consumer
- Agreements in place that include Rule provisions and assign responsibilities

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Reputational Risk

- Data leak/compromise
- Inconsistent processing/communication

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Records
Article One, Section 1.4

- Retention Requirement for Records of Entries
  - Verify that records of Entries originated and received are retained for six years
    - Includes Returns and NOCs
- Provision Requirement for Records of Entries
  - Verify information relating to Entry may be reproduced for the account holder, other Participating DFI, or ACH Operator that originated, received or transmitted the Entry
- Electronic Records
  - Verify the electronic record:
    - Accurately reflects the information contained in the original record
    - Is capable of being accurately reproduced at a later date (i.e., six years)

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Security Requirements
Article One, Section 1.6

- Verify that the Participating DFI has established, implemented and updated, as appropriate, security policies, procedures and systems with respect to the initiation, processing and storage of Entries that are designed to:
  - protect the confidentiality and integrity of Protected Information until its destruction;
  - protect against anticipated threats or hazards to the security or integrity of Protected Information until its destruction; and
  - protect against unauthorized use of Protected Information that could result in substantial harm to a natural person

- Review Data Security Policy to ensure it addresses ACH Entries

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Secure Transmission via Unsecure Electronic Networks
Article One, Section 1.7

- Verify that encryption or a secure session is used for banking information transmitted via an Unsecured Electronic Network
  - Does the technology provide a "commercially reasonable level" of security?
  - Applies to transmissions between:
    - Receiver and Originator
    - Originator and ODFI
    - ODFI/RDFI and ACH Operator
    - Originator, ODFI, RDFI, or ACH Operator and a Third-Party Service Provider

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Network Administration Fees
Article One, Section 1.13

- Verify participating DFI has reported and paid all annual fees and per-entry fees to Nacha, including Entries not processed through an ACH Operator but exchanged with another non-affiliated Participating DFI (i.e., direct send Entries)

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Contact Registry
Article One, Section 1.14

- Each Participating DFI must register with Nacha specific contact information
  - ACH Operations
  - Fraud and/or risk management

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Agenda

Why Audit ACH

Planning for the ACH Audit

Audit Requirements For Participating DFIs

Audit Requirements for RDFIs

Audit Requirements for ODFIs

Other Areas of Consideration

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Availability and Posting
Article Three, Sections 3.3.1 & 3.3.2

- Review to ensure credits Entries are available at 9:00 am if available by 5:00 pm (RDFI local time) prior date

- Review to ensure all SDA credits received in first same-day processing window are made available by 1:30 pm (RDFI local time)

- Review to ensure all SDA credits received in second same-day processing window are made available by 5:00 pm (RDFI local time)

- Review to ensure all SDA credits received in third same-day processing are made available by RDFI's end of day processing

- Review to ensure debits are not posted before Settlement Date

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IAT OFAC Compliance

- Verify OFAC Policies and Procedures for appropriate screening of IAT Entries and screening of IAT Entries are conducted prior to posting

- In a Blocking Program

  - Post credit to an interest-bearing account

  - Report blocked transaction to OFAC within 10 days

  - Debit Entries (ACH) contact OFAC for assistance

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Entry Acceptance
Article Three, Subsection 3.1.1 & 3.8.2

- Verify that, subject to RDFI's right of return, all types of ACH Entries are accepted with respect to an account maintained with RDFI
  - Review all SEC Codes to ensure system can accept
    - See page OR136 -137 for list of SEC Codes
  - Verify RDFI handles XCK Entries appropriately
  - Review ACH Policy on acceptance of Entries for non-transaction accounts (Savings, GL, & Credit)

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Receiver Statements
Article Three, Subsection 3.1.5.1 & 3.1.5.2

- Verify that Consumer statements contain all required information
  - For WEB Credit Entries - Name of Originator as identified within Individual Identification Field
  - For all RCK, ARC, BOC & XCK Entries - Check Serial Number
  - For POS, MTE & SHR Terminal ID Code and/or Terminal City and State
  - For all POP Entries – Check Serial Number, Terminal City & State
    - Or an IAT where Transaction Type Code indicates one of these codes

- For Non-Consumer accounts, verify RDFI sends or makes check serial number available for ARC, BOC and POP transactions

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Prenotifications
Article Three, Subsection 3.5

- Does RDFI verify Prenotifications are for valid accounts?

- Prenotifications are optional for Originator to send, but when received, RDFI has three options:
  - Validate Prenote for valid account and accept subsequent live Entries
  - Send NOC with correct information and accept subsequent live Entries
  - Return invalid Prenote with appropriate Return Reason Code

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Notification of Change
Article Three, Subsection 3.9.1

- Verify that Notifications of Change are transmitted within two Banking Days of settlement of Entry to which NOC relates
  - Exceptions - NOC due to acquisition or merger

- What is RDFI's policy on NOCs?

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Returns Processing
Article Three, Section 3.8; Appendix Four

- Review records and procedures to determine that Return Entries, including Prenotes, are available to ODFI by opening of business on second Banking Day following Settlement Date
  - For RCKs verify Returns are transmitted by midnight of RDFIs second Banking Day following Banking Day of receipt of Entry
- Verify that late returns of CCD and CTX Entries are transmitted with agreement of ODFI, and appropriate Return Reason Code was used
- Verify Dishonored and Contested Dishonored Returns and all codes used are accurate

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Return of Credit Entries
Article Three, Subsection 3.8.3.2, & 3.8.3

- Timing Requirements for Credit Entries Declined by Receiver
  - Review records and procedures to determine that credit Return Entries are available to ODFI by opening of business, on the second Banking Day following notification to RDFI by Receiver

- RDFI Must Return Unposted Credit Entries
  - Review records and procedures to determine that credit Entries not posted to an account are available to ODFI by opening of business, on the second Banking Day following settlement

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Obligation to Stop Payment
Article Three, Subsection 3.7

- Review records of stop payments loaded to ACH system and verify the expiration dates on the stop payment records comply with Nacha Rules
- Verify stop payment orders provided by Receivers, either verbally or in writing, and uses Return Reason code R08 (Payment Stopped) appropriately to return Entries
- Examine Stop Payment Order Form to ensure verbiage properly outlines the responsibilities of both the Receiver and RDFI as assigned by Nacha Rules and Regulation E
- Examine Account Terms & Conditions to ensure verbiage outlines the timeframes are consistent with Nacha Rules

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Unauthorized Entries
Article Three, Subsection 3.11.1, 3.12 and Appendix Four

- Review records and procedures to ensure 'Written Statements' are received for all R05, R07, R10, R11, R37, R51 and R53 Returns, and that Returns are available to ODFI by opening of business on Banking Day following 60th calendar day following Settlement Date of original Entry
- Review procedures for retaining and providing copy of Written Statement of Unauthorized Debit (WSUD) to ODFI if requested
  - Review WSUD for required language
    - See page OG342 for a model WSUD

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Payment-Related Information Reporting
Article Three, Subsection 3.1.5.3

- Review records and procedures to ensure that, when requested, Non-Consumer Receivers are provided all payment related information within two Banking Days for all CCD, CTX, CIE and IAT Entries

- For Health Care EFT, ensure a secure method of delivery is available

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UCC4A
Article Three, Subsection 3.1.6

- Review internal procedures and customer agreements to ensure ACH transactions are in compliance with UCC4A
  - UCC4A governs corporate credits only, review business deposit agreements for:
    - The Entry may be transmitted via ACH
    - Choice of law
    - Provisional payment
    - RDFIs right to a refund
    - Notice of receipt

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- Audit Requirements for RDFIs
- **Audit Requirements for ODFIs**
- Other Areas of Consideration

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Establishing Originator/Third-Party Sender Identity
Article Two, Subsection 2.2.1

- Verify that the ODFI has utilized commercially reasonable methods to verify the identity of each Originator or Third-Party Sender (TPS) with which it enters into an Origination Agreement

- When the ODFI has an agreement with the TPS rather then the Originator, verify that the TPS has used commercially reasonable methods to identify the Originator with which it enters into an Origination Agreement

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Establishing Originator/Third-Party Sender Identity
Article Two, Subsection 2.2.1

- Verify commercially reasonable methods are utilized to verify identity of each Originator/TPS with which it enters into an Origination Agreement
    - What is your due diligence process?
        - Consider ODFI requirements
    - Review of Customer Identification Program
        - Consider all company owners/partners
        - Background/credit checks
    - Check with business reporting services
        - Better Business Bureau
        - LexisNexis
        - Dun & Bradstreet

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Origination Agreements
Article Two, Subsection 2.2.2.1 & 2.2.2.2

- Verify that agreements have been made with all Non-Consumer Originators and Third-Party Senders (TPS) that;
    - Binds the customer to the ACH Rules
    - Authorizes ODFI to originate Entries
    - Acknowledges that Entries may not violate U.S. laws
    - Place restrictions on the type of origination
    - The right of the ODFI to terminate or suspend the agreement
    - The right of the ODFI to audit the customer
    - A requirement that any TPS has entered into an agreement with each of their Originators
- Verify agreements are signed by ODFI and Originator/TPS

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UCC4A Disclosures
Article Two, Subsection 2.3.3.2

- Originator and ODFI should have as part of their ACH Origination Agreement with respect to ACH Entries:
  - Entries Transmitted via ACH
  - Choice of law
  - Provisional credit at RDFI
  - RDFI right to a refund

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ODFI Risk Management
Article Two, Subsection 2.2.3

- ODFI must perform due diligence to form a reasonable belief that the Originator or Third-Party Sender has the capacity to perform its obligations in conformance with the Rules
  - Assess the nature of the Originator's or Third-Party Sender's ACH activity and the risk it presents
  - Establish, implement, periodically review* and enforce exposure limits
  - Monitor origination and return activity over multiple Settlement Dates
  - Enforce restrictions on types of Entries originated

The Office of the Comptroller of the Currency (OCC Bulletin 2006-39) states, "To further reduce credit risks, management should implement procedures that require lending and ACH operations personnel to consult with one another at least annually or more often, if necessary."

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Internal Origination
Article Two, Section 2.3.2, 2.4.1.2

- Validate properly formatted authorizations for internal origination
  - Examples:
    - Loan payment origination
    - Employee payroll
    - Account Payable payments
    - Account-to-Account (A2A)

- Authenticate the Receiver in a commercially reasonable manner

- Utilizes the appropriate Standard Entry Class codes (e.g., PPD, TEL, WEB)

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Authorization Requests
Article Two, Subsection 2.3.2.6 & 2.3.3.3

- Verify the ODFI responds to an RDFI's written request for a copy for a Consumer's debit authorization within 10 Banking Days at no charge

- For a CCD, CTX or inbound IAT Entry, verify the ODFI provides the RDFI upon receipt of a written request, an accurate Record evidencing the Receiver's authorization or contact information for the Originator, including the Originator's name and phone number or e-mail address within 10 Banking Days at no charge

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External Account Transfers
Article Two, Subsection 2.5.17.1 & 2.5.17.8

- Verify properly formatted originated A2A/P2P transfers
  - WEB SEC Code
  - Consumer Originator's name in Individual ID Field

- Verify all required information is provided to Consumer Originator of A2A/P2P transfers
  - Including Consumer Receiver Name

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Micro-Entries
Article Two, Subsection 2.7, 2.7.1 & 2.7.2

- A credit or debit Entry used by Originator/TPS for purposes of verifying a Receiver's or an individual's access to account
  - Credit Entry must be in amount under $1.00
  - Debit Entries must not exceed amount of corresponding credit
    - A debit offset may be more then $1.00 only if credits total more than $1.00
  - Credit and Debit Entry must be transmitted and settled simultaneously

- Company Entry Description Must be: ACCTVERIFY

- Company Name:
  - Must be readily recognizable to the Receiver, and be the same or similar to the Company Name that will be used in future Entries
    - Minor variations to accommodate processing needs

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Micro-Entries – Phase 2
Effective March 17, 2023

- Risk management requirements for Originators/TPS
  - Must conduct commercially reasonable fraud detection on its use of Micro-Entries, including:
    - The use of commercially reasonable fraud detection to minimize the incidence of fraud schemes that make use of Micro-Entries
    - Monitoring forward and return volumes, at a minimum, establishing a baseline of normal activity

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Prenotifications
Article Two, Subsection 2.6

- Verify that if the ODFI transmits Prenotification Entries, it does not initiate live Entries any sooner than the third Banking Day following the Settlement Date of the Prenotification

- Verify if there is a return of a Prenotification Entry, that a live Entry is not initiated until the Originator has remedied the reason for the Return or made the correction requested by a Notification of Change

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Reversing Files & Entries
Article Two, Subsection 2.8 & 2.9

- Verify that Reversing Files & Entries are originated timely and in accordance with the requirements of the Rules
  - Within five Banking Days of the original Settlement Date and within 24 hours of discovery
  - Verify "REVERSAL" is in the Entry Description Field
  - Was it initiated for a valid reason?
    - Duplicate of a previously initiated payment
    - To/from the wrong Receiver
    - Wrong amount
    - PPD Entry related to a payroll deposit when a check has already been issued

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Notifications of Change (NOC)
Article Two, Subsection 2.11.1 and 2.11.2

- Review internal procedures to determine that information related to NOCs and Corrected NOCs is provided to Originator or Third-Party Sender within two Banking Days of receipt

- Information should include:
  - Company Name
  - Company Identification
  - Company Entry Description
  - Effective Entry Date
  - DFI Account Number
  - Individual/Receiving Company Name
  - Individual Identification Number/Identification Number
  - Change Code
  - Original Entry Trace Number
  - Original RDFI Identification
  - Corrected Data

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Notifications of Change
Article Two, Subsection 2.11.1 and 2.11.2

- Verify NOCs and Corrected NOCs for CIE and credit WEB Entries are corrected by the ODFI or provided to Third-Party Service Provider rather than instructing the Consumer Originator to make the change(s)

- Verify refused NOCs are sent within 15 days

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Return Entries
Article Two, Section 2.12 & Appendix Four

- Verify that the ODFI accepts Return Entries, Extended Return Entries, and Contested Dishonored Returns that comply with the Rules that are Transmitted by the RDFI within the time limits established by the Rules

- Verify that Dishonored Returns are Transmitted within five Banking Days after the Settlement Date of the Return and the us the appropriate Return Reason Codes

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Reinitiation of Returned Entries
Article Two, Subsection 2.12.4

- Verify if Reinitiated Entries were previously returned:
  - NSF or Uncollected Funds (UCF)
  - Or corrective action was taken on the previous Return

- Verify Entries are Transmitted within 180 days of the original Return

- Verify they are only reinitiated a maximum of two times
  - One time for an RCK Entry

- Verify "RETRY PYMT" is in the Entry Description Field

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Return Fees
Article Two, Section 2.14

- Verify original Entry was retuned as NSF or UCF

- Ensure Originator has provided notice at the time the Entry was authorized

- Verify "RETURN FEE" is in the Entry Description Field

- Verify Return Fee Entry is Transmitted within 45 days of the original Return or item

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Nacha Registration Requirements
Article Two, Section 2.17

- Verify the ODFI has registered its Direct Access status with Nacha
  - If Direct Access Debit Participant relationships exist, the ODFI has Board approval and is able to communicate statistical reporting to Nacha

- Verify the ODFI has registered its Third-Party Sender status with Nacha
  - If TPS status exists, verify:
    - TPS is registered within 30 days of Transmitting the first Entry
    - TPS status is reviewed and updated with 45 days following any changes
    - Register Nested TPS Status with Nacha

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ODFI Reporting Requirements to Nacha
Article Two, Section 2.17

- Verify Originators' and Third-Party Senders' return rate levels are monitored in a manner that enables a response to a request from Nacha
  - Unauthorized Returns 0.5%
  - Administrative Returns 3%
  - Overall Returns 15%
    - RCK Excluded

- If request for information was received, ensure required documentation was provided to Nacha within 10 Banking Days

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Education of Originators
Article Two, Section 2.1

- Verify that the ODFI has kept Originators and Third-Party Senders informed of their obligations under the Rules
  - Education
    - Upon implementation
    - Prior to origination access
  - Authorizations
    - Obtaining
    - Storing and retention
  - NOCs
    - Provide example
  - Rules updates
    - Provide annual letters or other communication

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Agenda

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Death Notification Entries
Green Book: Chapter 4-2

- Originated by a U.S. Government agency
  - Constitutes notice of death
- Look like Prenotes with an Addenda Record
  - Should be included in your exception reports
  - Addenda Record includes date of death, Social Security number and amount of next payment
- Return next payment – if received
- Review internal procedures for handling DNEs and other notifications of death

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Federal Government Reclamations
Green Book: Chapter 5

- Reclamation is a procedure used by the Federal government to recover benefit payments made through ACH to the account of a recipient who died or became legally incapacitated or a beneficiary who died before the date of the payment(s)

- Review procedures on how the RDFI receives and handles Reclamations
  - How are they received: Electronically vs. USPS?
  - Are Reclamations completed properly and timely?
  - Are Reclamation ticket numbers and potential 45-day liability amount tracked?
    - 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death

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Federal Government Reclamations
Green Book: Chapter 5

- Review procedures to ensure the following timelines are being met
  - 1-day rule
    - Verify the balance in the account within one day of the receipt of the Reclamation
  - 60-day rule
    - Financial Institutions must respond to all Reclamations within 60 days to limit their liability
      - Return all available funds (e.g., ACH, or for partial amounts check or Fed debit)

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BOC Entries
Article Two, Subsection 2.5.2.5

- For BOC Entries, verify that the ODFI has:
  - Employed commercially reasonable procedures to verify the identity of each Originator or Third-Party Sender
  - Established procedures to document specific information with respect to each Originator

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IAT Entries
Article Two, Subsection 2.5.8.3

- Verify that ACH Origination Agreements contain the following required provisions for Originators that Transmit IAT Entries:
  - The terms and conditions for the allocation of gains, losses, and the assumption of risk for foreign exchange conversion
  - The rights and responsibilities of the ODFI in the event of an Erroneous Entry

TEL Entries
Article Two, Subsection 2.5.15.4 & 2.5.15.5

- For ODFIs internally originating TEL Entries, verify:
  - The ODFI-Originator has established and implemented commercially reasonable procedures to verify the identity of the Receiver
  - The ODFI-Originator has established and implemented commercially reasonable procedures to verify that the routing number used in the TEL Entry is valid

Annual Audit Requirement for Debit WEB Entries
Article Two, Subsection 2.5.17.3

- Verify Originators of debit WEB Entries conduct annual audits to ensure that financial information obtained from Receivers is protected by security practices and procedures that include at a minimum, adequate levels of:
    - Physical security to protect against theft, tampering, or damage
    - Personnel and access controls to protect against unauthorized access and use
    - Network security to ensure secure capture, storage, and distribution

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ODFI Warranties for Debit WEB Entries
Article Two, Subsection 2.5.17.3 & 2.5.17.4

- WEB Originator has:
    - Implemented a fraudulent transaction detection system to include:
        - Validation of account to be debited for the first use of such account number, and for any subsequent change to account number
    - Established authentication methods to verify identity of Receiver
    - Implemented procedures to verify routing number
- Originators of debit WEB Entries must conduct annual audits
    - At a minimum, adequate levels of
        - Physical security to protect against theft, tampering, or damage
        - Personnel and access controls to protect against unauthorized access and use
        - Network security to ensure secure capture, storage, and distribution

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Effective: September 30, 2022

Third-Party Sender Roles and Responsibilities

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Nested Third-Party Senders

- Defines a Nested Third-Party Sender
- Updates the requirements of Origination Agreements for a Nested TPS relationship
- Establishes the "chain of agreements" and responsibilities in a Nested TPS arrangement
- Updates existing TPS registration to denote whether a TPS has Nested TPS relationships

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Nested Third-Party Sender Definition

- A Third-Party Sender that has an agreement with another Third-Party Sender to act on behalf of an Originator, and does not have a direct agreement with ODFI
- Must be addressed in ACH Origination Agreements
  - ODFI must allow TPS to have a Nested TPSs
    - Origination Agreement must exist between a TPS and a Nested TPS
  - Applicable to new Origination Agreements effective September 30, 2022, on a going-forward basis
- Rule does not address or limit number of levels in a Nested TPS arrangement

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Nested Third-Party Sender

- ODFI must identify in Nacha's Risk Management Portal all Third-Party Senders that have Nested Third-Party Sender relationships
  - E.g., "Does TPS "XYZ" have Nested TPS customers? Check Yes or No"
  - Upon request, ODFI must provide Nacha with Nested TPS relationships for any TPS

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Risk Management Portal Reporting Requirements

- Identification of TPSs with Nested Third-Party Senders in Risk Management Portal will follow same time frames as registering TPSs:
  - A TPS with Nested TPS must be registered as such within the later of 30 days of Transmitting first Entry, or within 10 days of ODFI becoming aware of Nested TPS
  - Registration information must be updated within 45 days of any change to information previously provided

- **Nacha Risk Management Portal Nested TPS Registration available as of August 1**

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Third-Party Sender Roles and Responsibilities

- Third-Party Senders and Risk Assessments
  - Makes explicit that a Third-Party Sender, whether Nested or not, must complete a Risk Assessment of its ACH activities
  - Clarifies that a Third-Party Sender cannot rely on a Rules Compliance Audit, or a Risk Assessment completed by another TPS in a chain; it must conduct its own

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Third-Party Sender Risk Assessments

- Risk Assessments are already defined and required in the Nacha Rules for Financial Institutions and, by extension, for Third-Party Senders under their obligations to perform and warrant ODFI obligations
  - However, the Risk Assessment obligation for TPS is not expressly stated
  - Third-Party Sender, whether or not it is "Nested", should still conduct a Risk Assessment
  - Third-Party Sender should implement, or have implemented, a risk management program based on their Risk Assessment

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Third-Party Sender Risk Assessments

- A TPS risk assessment should likely cover many of the same types of risk as do assessments performed by other parties in the ACH Network
  - Broad risk categories include Operational Risk, Return Risk, Credit Risk, Fraud Risk, Compliance Risk, and Reputational Risk

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Enforcement

- A six-month grace period, to March 31, 2023, has been provided for:
  - ODFIs to update TPS registrations to denote whether or not a TPS has Nested TPSs
  - TPSs that have not conducted a Risk Assessment to do so
  - TPS need not wait for passage of this rule, or its effective date, to conduct a Risk Assessment

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Questions ?

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Contact Information

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Evaluation

Thank you for participating!

★★★★★

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