

Originators bring a certain level of risk, and it is very important that risk be addressed within the ACH Risk Policy, ACH Management Policy, ACH Credit Policy, and ACH Procedures. The information below is an aid for ACH Origination. For more information and resources please contact PaymentsFirst.

## Onboarding Documents:

Topic/Best Practice	High level suggestion/consideration
Originator Application	Collects pertinent information to identify the entity, nature of business, and origination services being requested for potential Originators. The approval process will begin here. <i>Nacha Operating Rules Article Two - Section 2.2 Prerequisites to Origination.</i>
Underwriting Requirements/Procedures	Underwriting requirements and procedures should be detailed within policies and procedures. Rule requirements for Originators: (a) Assess the nature of ACH activity. (b) Establish, implement, and periodically review exposure limits. (c) Establish and implement procedures to monitor activity, enforce restrictions on types of entries and exposure limits. * <i>Nacha Operating Rules Article Two - Section 2.2.3 ODFI Risk Management.</i> * As a best practice, the financial institution might consider utilizing a risk rating at account opening. This allows the institution to decide if the potential originator is a high-risk business or participates in high-risk activities. It is recommended the risk rating be completed at onboarding and within the periodic review. This rating needs to be reviewed for ACH activities to determine if enhanced due diligence may be required by the BSA Officer.
Credit Review/Approval Process Procedures	An important part of the approval process is establishing Originator underwriting standards. These standards enable an institution's management to clearly communicate the process and documentation required for approving new Originators. Under the board's direction, management should implement underwriting standards for all Originators. <i>OCC Bulletin 2006-39 Automated Clearing House Activities: Risk Management Guidance.</i>
Agreement	An agreement is required by the Rules and must contain minimum information. It is suggested the agreement be reviewed by legal counsel as well. Minimum requirements include: <ul style="list-style-type: none"> <li>• Authorize the ODFI to originate entries on behalf of the Originator to the Receiver's account.</li> <li>• Binds the Originator to the Rules.</li> <li>• Originator must agree not to originate entries that violate the laws of the United States.</li> <li>• Address restrictions on the types of entries that may be originated.</li> <li>• Gives ODFI the right to terminate or suspend the agreement for breach of the Rules.</li> <li>• Gives the ODFI the right to audit the Originator's compliance with the agreement and the Rules.</li> </ul> <i>Nacha Operating Rules Article Two - Subsection 2.2.2.1 ODFI Must Enter Origination Agreement with Originator.</i>

## Originator Education:

Annual Training	Educate and keep Originators informed of their responsibilities under the Rules which should include: <ul style="list-style-type: none"> <li>• New Rules</li> <li>• Rules Updates</li> <li>• Rule Changes</li> <li>• Any type of Security/Controls to aid and protect the Originator.</li> </ul> <i>Nacha Operating Rules Article 2, Section 2.1 General Rule - ODFI Is Responsible for Entries and Rules Compliance</i>
Consumer Debit Authorizations	Educate and keep Originators informed of their responsibilities under the Rules regarding debiting consumer accounts. Requirements for Consumer Debit Authorizations are based on SEC Code being used and should contain Rules minimums: <ul style="list-style-type: none"> <li>• Signed or similarly authenticated.</li> <li>• Single-entry, multiple entries, or recurring entries.</li> <li>• Readily identifiable as an authorization (express "I authorize").</li> <li>• Clear and readily understandable terms, including amount or a reference to the method of determining the amount.</li> <li>• Timing (including start date), number, and/or frequency.</li> <li>• Receiver's name or identity.</li> <li>• Account number and routing number.</li> <li>• Date of the Receiver's authorization.</li> <li>• Revocation language for recurring entries or single entries scheduled in advance.</li> </ul> <i>Nacha Operating Rules Article 2, Subsection 2.3.2.2 Debit Entries to Consumer Accounts.</i>

## PaymentsFirst Member Support

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**Originator Education: continued**

<p>Proper SEC Code</p>	<p>Educate Originators on the usage of Proper Standard Entry Class Codes.</p> <ul style="list-style-type: none"> <li>• PPD - Credit or Debit originated by an Organization to a Consumer Account of a Receiver; must be in writing and signed or similarly authenticated by the Receiver.</li> <li>• CCD - Originated by an Organization to or from the account of that Organization or another Organization; may be a credit or debit; cash concentration.</li> <li>• TEL - Debit Entry to a Consumer Account originated based on an Oral Authorization provided to the Originator by a Consumer Receiver via a telephone call; existing relationship or Receiver initiated; single debit should be recorded, or notice provided, and recurring debit should be recorded, and notice provided.</li> <li>• WEB - Debit Entry to a Consumer Account originated based on (a) any form of authorization that is communicated from the Receiver to the Originator via the Internet or a Wireless Network; or (b) any form of authorization if the Receiver's instruction for the initiation of the individual debit Entry is designed by the Originator to be communicated, other than orally via a telephone call, to the Originator via a Wireless Network.</li> </ul>
<p>Notice of Change and Returns</p>	<p>Educate Originators on how NOCs and returns will be sent and about return rate thresholds.</p> <ul style="list-style-type: none"> <li>• Unauthorized 0.5%</li> <li>• Administrative 3%</li> <li>• Overall 15%</li> </ul> <p><i>Nacha Operating Rules Article 8, Subsection 8.117, 8.118, 8.119.</i></p>
<p>Retention Time Frames</p>	<p>Educate Originators on proper retention time frames.</p> <ul style="list-style-type: none"> <li>• Single Debit: 2 years from settlement.</li> <li>• Recurring Debit: 2 years from Revocation or Settlement Date of the last Entry.</li> </ul>

**Managing Originators**

<p>Periodic Reviews</p>	<p>The institution should perform ongoing credit analysis on ACH Originators. To reduce credit risks, management should implement procedures that require lending and ACH personnel to consult one another at least annually or more often, if necessary, to confirm that the Originator's financial condition has not changed since the last approval/review. Reviews can be risk-based as long as it is defined within the institutions policies and procedures.</p> <p><i>OCC Bulletin 2006-39 Automated Clearing House Activities: Risk Management Guidance.</i></p>
<p>Monitoring Exposure Limits, SEC Codes, and Returns</p>	<p>Continued monitoring of Originators is necessary to help mitigate risk. Policies and procedures should include how the institution will monitor exposure limits, SEC Code and Originator returns (see above for acceptable return levels). It is insufficient for an ODFI to just establish an exposure limit and not monitor it. The institution should develop a way to monitor file limits that does not impede normal file processing.</p> <p><i>Nacha Operating Guidelines - Chapter 7 ODFI Risk Management.</i></p>