

Consumer Online Funds Transfer

Offering multiple ways to move funds is a fantastic service to provide to existing and potential customers, giving the financial institution another way to grow its customer base.

What does it mean?

Account to Account (A2A), also known as External Transfers: External transfers refer to the movement of money between accounts held at different banks or financial institutions. A2A transfers are typically used for funding new accounts or by consumers transferring funds between two financial institutions.

Person-to-Person (P2P): Typically refers to transferring money directly between individuals, often using digital payment platforms or mobile apps. Settlement of funds is typically determined by the Receiver. The funds transfer can be facilitated through ACH or Debit card.

Benefits of Consumer Online Transfer Services

Remaining Relevant	<i>Trend Setter; Competitiveness</i>
Maintain Customer Relationships	<i>Provide customers with the services they will use; Ability to reach upcoming generations; Cross-selling opportunities</i>
Faster Funds Availability	<i>Reduce unintentional overdrafts; Opportunity to successfully manage funds</i>
Decrease Cost	<i>Reduce Processing Costs; Increase fee income</i>
Reduce Risk	<i>Shortens the delay between payment initiation, clearing & settlement; Timely confirmation of good funds; Irrevocable</i>
Financial Institution	<i>Solutions may be available through existing service providers; Maintain a strong customer relationship and remain highly relevant; Ability to offer innovative new products; Ability to compete with non-financial institution competition</i>
End User/Corporate Customers	<i>Help large and small businesses to better manage cash flow; Improve invoice information, messages, and payment capabilities; Possibly lower interchange fees; May lead to innovative practices or services to stand out among competition.</i>
Convenience	<i>Online account opening and funding through ACH transfers provide convenience to customers. They can open an account from the comfort of their own homes or anywhere with internet access, eliminating the need to visit a physical branch. This convenience saves time and effort for customers, making the account opening process more accessible.</i>
Faster Account Activation	<i>Funds transfers happen relatively quick, allowing customers to activate their accounts and start using banking services sooner.</i>
Accessibility	<i>Online account opening widens the reach of banks beyond their physical locations. Customers from various geographical locations can open accounts, even if they don't have a local branch nearby.</i>

Online Funds Transfer Services Overall Risk Considerations

Planning for Risk

- ✓ KYC
- ✓ BSA/AML
- ✓ Fraud/Losses
- ✓ Settlement Risk
- ✓ Operational Risk
- ✓ Security Cyber/Risk

Mitigating Risk - Malware, Social Engineering

- ✓ Upgrade Fraud Detection Systems: Less time to review for suspicious activity, faster settlement
- ✓ Ensure Originators obtain proper authorization: Nacha Operating Rules and Guidelines apply to ACH transactions
- ✓ Review Policies and Procedures: including disaster recovery
- ✓ Faster Settlement: real-time or near real-time payments do not necessarily mean real-time or near real-time settlement
- ✓ Settlement Delay: any delay in settlement implies increased risk
- ✓ Settlement Speed: means less time to scrutinize transactions and can give occasion for fraud
- ✓ Robust Authentication: layered approach
- ✓ Monitoring, Monitoring, Monitoring

PaymentsFirst Member Support

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Considerations

- ✓ Develop risk tolerances and apply limits, know your liability
- ✓ Consider setting geographic boundaries
- ✓ Ensure proper authorization is received
- ✓ Implement Fraud Monitoring
- ✓ Holding of Funds*
- ✓ Use Account Validation Method(s)

Compliance Considerations

Subsection 2.5.17.4 Use of Fraud Detection Systems	<i>An Originator of a debit WEB Entry must establish and implement a commercially reasonable fraudulent transaction detection system to screen the debit WEB Entry.</i>
Subsection 2.5.17.5 Verification of Receiver's Identity	<i>An Originator of a debit WEB Entry must establish and implement a commercially reasonable fraudulent transaction detection system to screen the debit WEB Entry. An Originator of a debit WEB Entry must establish and implement commercially reasonable methods of authentication to verify the identity of the Receiver of the debit WEB Entry.</i>
Subsection 2.5.17.6 Verification of Routing Numbers	<i>An Originator of a debit WEB Entry must establish and implement commercially reasonable procedures to verify that the routing number used in the debit WEB Entry is valid.</i>
Regulation CC*	<i>If the funds come in to an account owned by the financial institution and an internal transfer is performed to fund the account, Reg CC does not apply, and a hold could be placed on the funds. If a balanced file is released to the network, to fund the new account, with a debit and a credit and the credit posts directly to the customer's new account by ACH credit; Reg CC applies, and a hold cannot be placed on the funds from the ACH credit. Coordinate with your compliance and legal team regarding the hold processes.</i>
Regulation E	<i>Dispute Resolution</i>

Person to Person (P2P)

Considerations

- ✓ Limiting capabilities of P2P activity to core customers. Consider limiting this activity for new accounts (allow after 'x' days of the account being active and in good standing).
- ✓ Reducing the limits for the P2P activity. Setting limits based on customer need and "creditworthiness"/customer history
- ✓ Set tiers for P2P based on determined criteria
- ✓ Review periodically
- ✓ Set transfer frequency limits
- ✓ Use Good Funds Method

Compliance Considerations

Payment Processor Contact	<i>Networking Rules and Regulations</i>
Regulation CC	<i>Funds Availability</i>
Regulation E	<i>Dispute Resolution</i>

