



Financial Services Policy Committee

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For Immediate Release

Trends Indicate Growing Need for Improved ACH Risk Monitoring; New Federal Reserve Bank Service to Help

Minneapolis, March 28, 2006—Double-digit ACH volume growth and other trends pose both opportunities and challenges to originating depository financial institutions (ODFIs). For ODFIs seeking to better monitor the operational, credit and fraud risks that may be associated with ACH transactions, help is on the way. In spring 2006, the Federal Reserve Banks will launch the FedACH RiskSM Origination Monitoring Service.

“Risk mitigation in the ACH network is important to all participants and is consistent with our role as the nation’s largest ACH operator and our broader mission to foster a sound payments system,” said Richard Oliver, Federal Reserve Bank of Atlanta executive vice president and Federal Reserve Retail Payments Office manager.

ACH transaction volume grew by 15 percent in fourth quarter 2005, compared to fourth quarter 2004, according to the National Automated Clearing House Association (NACHA). This echoes the double-digit growth that has occurred for more than a decade. Corresponding to this rise is an increasingly complex ACH marketplace. ODFIs may originate payments from multiple sending points and may also provide business customers with direct access to the ACH network. The convenience of payments via the Internet and telephone poses a new set of challenges, as well. And, perhaps most significant, many ODFIs are using manual, outdated processes to monitor their ACH payments.

“Even with the best of intentions, manual methods may be subject to inconsistency and human error, exposing these institutions to operational risks and making them more susceptible to credit and fraud risk,” said Oliver.

As the first-of-its-kind service in the ACH industry, the FedACH Risk Origination Monitoring Service provides ODFIs with enhanced control, flexibility and automated ease in helping to monitor ACH risk. It puts the power to monitor ACH risk in the ODFI’s hands, based on its own policies and preferences.

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The FedACH Risk Origination Monitoring Service allows ODFIs to select originators they want to monitor, set debit and credit caps by routing number (RTN) or by company ID number, monitor payments over the processing day or multiple exposure days, set end-of-day defaults and receive notifications via e-mail if caps are breached.

Because the FedACH Risk Origination Monitoring Service is available through the Federal Reserve Banks' flexible FedLine Web[®] and FedLine AdvantageSM access solutions, it is easy for ODFIs to implement and use. Authorized personnel can access ACH monitoring information from virtually any Internet connection. This configuration integrates with many other Federal Reserve Bank account management functions, helping financial institutions further streamline their operations.

The FedACH Risk Origination Monitoring Service is the latest addition to FedACH[®] Services. The FedACH Risk Returns Reporting Service has been available to FedLine Web Subscribers since October 2003. Work continues on ACH risk management services for receiving depository financial institutions.

A FedACH Risk Management Service resource center is available at www.frbservices.org/Retail/fedachRisk.html for more information about the latest FedACH Service and ACH risk.



The Federal Reserve Banks are the nation's largest ACH operator, handling over 8.5 billion ACH payments in 2005. FedACH operator services extend nationwide to all banks, credit unions, and thrift institutions and include receipt and distribution of payroll, bill payment, check-to-ACH payments as well as corporate and vendor payments. International ACH payments are among the Federal Reserve Banks newest value-added services.

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