



Frequently Asked Questions

FedACH RiskSM Origination Monitoring Service

www.frbservices.org

The FedACH Risk Origination Monitoring Service is a first-of-its-kind service in the ACH industry. It is available via FedACH[®] Information Services (where depository financial institutions [DFIs] see their settlement and file information) via the FedLine Web[®] or FedLine AdvantageSM access solution. It is designed to help originating depository financial institutions (ODFIs) better monitor forward FedACH transactions originated into the Automated Clearing House (ACH) network.

The service offers ODFIs enhanced control, flexibility and automated ease in monitoring ACH risk and puts the power to monitor certain aspects of ACH risk in the ODFI's hands, based on its own policies and preferences. Because the service automates many of the key ACH risk monitoring functions, it helps to ensure consistency and to reduce errors and offers a level of refinement in setting and monitoring credit and debit caps and other criteria that was previously unavailable.

Key Benefits of the FedACH Risk Origination Monitoring Service

- **Select** which originators to monitor.
- **Customize** monitoring criteria at the company ID level or for a specific routing transit number (RTN).
- **Monitor** accumulated totals over a single processing day or multiple exposure days.
- **Receive** e-mail notifications of batches pended due to breached caps.
- **Set** end-of-day defaults to reject or release pended batches in extraordinary situations where batches remain pended at end of day.
- **Access** via FedACH Information Services via the FedLine Web or FedLine Advantage access solution.
- **Streamline** operations by integrating ACH risk monitoring with other account management functions.
- **Maintain** consistency in risk mitigation with automated batch monitoring.

Frequently Asked Questions about the service are presented in the following categories:

- ACH risk and the FedACH Risk Origination Monitoring Service.
- Sign-up process.
- Pricing.
- Functionality.

ACH risk and the FedACH Risk Origination Monitoring Service

Q: What is driving the need for ODFIs to better monitor ACH risk?

A: The need for ODFIs to better monitor their ACH risk is driven by several trends:

- Growth and expansion of the ACH network.
- Outsourcing of ACH origination.
- Emergence of new ACH payment types.
- Reliance on manual, outdated systems for monitoring ACH risk at many DFIs.
- Relative inexperience and lax practices of some DFIs within the ACH network.

Q: What types of risks are associated with originating ACH transactions?

A: Because ODFIs are responsible for settling payments originated into the ACH network using their RTN, they may be exposed to three primary types of risks:

- Operational – Human error or computer mishap that may delay or alter an ACH transaction.
- Credit – An ACH originator may not have the necessary funds on the settlement date.
- Fraud – Dishonest or criminal attempts may be made to misappropriate funds.



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Q: Are ACH transactions any riskier than other payment types?

A: No, ACH transactions are not inherently riskier and can actually help avoid some of the risks associated with other payment types such as forgery or unintended destruction. ACH transactions provide financial institutions with many significant opportunities when compared with paper check processing, including enhanced efficiency, reduced processing costs, clearly defined settlement times, control over payment timing, new revenue streams and increased customer retention.

Q: Where can I find more information on ACH risk and the FedACH Risk Origination Monitoring Service?

A: Visit the FedACH Risk Management Services Web resource center at www.frbservices.org/Retail/fedachRisk.html. Additional information on ACH risk can also be found on NACHA's Web site at www.NACHA.org or via your Regional Payments Association (see www.nacha.org/map/nacha_map.html).

Q: What monitoring options does the FedACH Risk Origination Monitoring Service offer to ODFIs?

A: ODFIs can maintain criteria three different ways. Criteria include cumulative debit and/or credit processing limits (caps) and the timeframe for accumulating caps.

- **ODFI RTN** – Compare a sum of all forward batches associated with a specific RTN(s) to predefined caps to help monitor overall risk exposure.
- **Inclusive** – Define and set caps for an inclusive list of company IDs associated with a specific RTN. This customization helps to detect an incorrectly entered company ID or payments originated using a fraudulent company ID. It also helps you monitor just those companies you determine may present the most credit risk.
- **Select** – Determine individual company IDs and monitor caps; only batches for these IDs will be reviewed by the service. This feature helps you to monitor credit risk by individual originator, streamlines the decision-making process and helps combat potentially fraudulent transactions introduced by employees or by customers' employees.

Sign-up process

Q: What are the prerequisites for the FedACH Risk Origination Monitoring Service?

A: Because the service is available via FedACH Information Services, ODFIs will need to subscribe to the FedLine Web or FedLine Advantage access solution and FedACH Information Services. District FedACH Sales Specialists (www.frbservices.org/Retail/FedACHSales.html) can assist ODFIs in adding these services. Sign-up information can also be found at www.frbservices.org/Retail/fedachRisk.html or on www.frbservices.org/Electronic-Access/FedlineWebSetup.html and www.frbservices.org/Retail/fedach.html.

Q: How do I sign up for the FedACH Risk Origination Monitoring Service?

A: ODFIs will need to submit Attachment I of the FedACH Participation Agreement and add the appropriate Subscriber role(s) via the Subscriber Credential and Access Control Form. District FedACH Sales Specialists (www.frbservices.org/Retail/FedACHSales.html) can assist ODFIs in signing up. Sign-up information can also be found at www.frbservices.org/Retail/fedachRisk.html or on www.frbservices.org/Electronic-Access/FedlineWebSetup.html and www.frbservices.org/Retail/fedach.html.

Attachment I must be signed by a person listed on the institution's Official Authorization List as having signatory authority. The ODFI's End User Authorization Contact (EUAC) will request Subscriber access.



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Q: Is there any reason for submitting Subscriber forms or Attachment I first?

A: An ODFI planning to use Company ID Inclusive will experience a smoother transition by first submitting its request for an appropriate Subscriber role(s). This procedure will allow for the setting of monitoring criteria before the FedACH Risk Origination Monitoring Service begins monitoring ACH activity. If an ODFI simultaneously gains access to its Subscriber role and the service, that ODFI may need to deal with pended batches while still entering monitoring criteria.

Pricing

Q: What are the costs associated with the service?

A: The fee for the FedACH Origination Monitoring Service is \$20 per month (Subscriber fee), \$15 per set of origination monitoring criteria and \$.0025 per batch. Following are sample pricing scenarios:

- An institution functioning as its own sending point may opt to monitor 10 originators by Company ID and process 100 total batches per month for these originators. The total monthly fee of \$170.25 includes the \$20 monthly subscription, \$150 origination monitoring criteria fee and \$0.25 batch processing fee.
- An institution using a third party processor may opt to monitor 20 originators by Company ID and process 500 total batches per month for these originators. The total monthly fee of \$321.25 includes the \$20 monthly subscription fee, \$300 origination monitoring criteria fee and \$1.25 batch processing fee.
- An institution with multiple sending points may opt to manage 30 originators by Company ID and process 1000 total batches for these originators. The total monthly fee of \$472.50 includes the \$20 monthly subscriber fee, \$450 origination monitoring criteria fee and \$2.50 batch processing fee.
- An institution allowing remote origination may opt to manage by ODFI RTN and process 900,000 total batches per month for this RTN. The total monthly fee of \$2,285 includes the \$20 monthly subscriber fee, \$15 origination monitoring criteria fee and \$2,250 batch processing fee.

Q: When is billing activated for the service?

A: Billing will begin during the first month of access to the service. For example, the first month an ODFI has access to the FedACH Risk Origination Monitoring Service, its billing statement on the next statement date will reflect the \$20 per month Subscriber fee. The first time an ODFI's batches are reviewed by the service, its bill will reflect a batch fee for each batch monitored, with an originator fee applied for each originator monitored. The ODFI determines the effective date for the service.

Functionality

Q: When will the additions, edits, and deletions made by an ODFI be effective?

A: Service screens provide confirmation of the effective date for management criteria additions, edits, and deletions. In general changes may be made intra-day for existing end-of-day defaults. All other management criteria changes will be effective next business day. The deadline for changes to management criteria is 2:00 a.m. ET.



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Q: How are e-mail notifications distributed? Are there any technical constraints?

A: E-mail notifications of batches pended for breaching caps or for unspecified company IDs are transmitted via FedMail[®] and do not include detailed pended batch information. A link to FedACH Information Services is included for authorized individuals (with proper credentials) to access details regarding pended batches.

E-mail address formats conforming to standard e-mail protocol should transmit from the Federal Reserve Banks without problems. ODFIs must ensure their e-mail system does not identify these e-mails as spam and block the e-mails. In order for authorized individuals to access the link to detail on FedACH Information Services, ODFIs must also use appropriate browser versions, comply with Internet connection requirements and have proper credentials for accessing the FedLine Web or FedLine Advantage access solution.

Q: Is e-mail notification the only way an ODFI will know if monitored batches have pended or rejected?

A: ODFIs can proactively track monitored batches via FedACH Information Services. In fact, accessing information is typically faster via the Web than via e-mail when considering the difference in speed of Web technology vs. customer e-mail servers. For example, there is the potential for the Web to show that a batch has been released, while an e-mail notification indicates that the same batch is still pended. The e-mail may not have reached its recipient before the release of the batch occurred. ODFIs should not rely on e-mail as the only source of notification in case of delays or interruptions in e-mail service at the Federal Reserve Banks or the ODFI.

Q: If an ODFI has a credential/token for multiple RTNs and monitors multiple RTNs via the FedACH Risk Origination Monitoring Service, how will that ODFI distinguish among RTNs when receiving e-mail notifications of pended batches?

A: The subject line of the e-mail notifications includes the RTN to which it applies.

Q: Are there any limitations to the values that can be entered for credit and debit caps?

A: Acceptable values range from \$0 to \$9,999,999,999,999. If the value field is \$0, all debits and/or credits will be pended by the service for further review. If the value field is left null, no cap will be applied by the service.

Q: What are the timeframes associated with cap computations by the service?

A: Process Day – cap computations will begin to accumulate at the beginning of the business day (3:01 a.m. ET) and will reset to zero at the beginning of the next process day.

Multiple Exposure Days – cap computations take into account the current processing day totals as well as the previous two processing days of credit and previous three processing days of debits. Multiple exposure day monitoring helps to proactively monitor for things like ACH kiting schemes and return risk for debit payments.

Q: How should an ODFI use the end-of-day default?

A: End-of-day defaults should not be relied upon as a part of normal daily operations, but should be relied upon only when extraordinary circumstances result in batches remaining pended at the end of the day. An end-of-day default of “release” means that all FedACH Risk Origination Monitoring Service pended batches will be released for processing. An end-of-day default of “reject” means that all FedACH Risk Origination Monitoring Service pended batches will be rejected and will not be processed by FedACH.



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Q: When searching the Origination Monitoring Event History, what options are available to ODFIs?

A: ODFIs can enter search criteria for up to 60 business days of history and a 10-day date range within those 60 days. ODFIs also have the option to download or print these reports and incorporate them into spreadsheets for further data manipulation. An additional benefit of this report is the audit trail it offers for all monitoring criteria: who specified the criteria, whether batches were released or rejected, who released/rejected the batches and when.

Q: How long will management criteria history be available?

A: ODFIs can view management criteria for up to one prior year. The service will report unlimited entries for that year.

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