



## Institutions coast to coast speak to the benefits of new risk service

Pilot customers of the FedACH Risk<sup>®</sup> Origination Monitoring Service—which debuted in May—are giving the service positive reviews. Coming from locations across the country and from different customer bases and asset sizes, they are reporting that, thanks to the new service, they are better able to monitor their ACH risk exposure with more flexibility.

The FedACH Risk Origination Monitoring Service enables originating depository financial institutions (ODFIs) to preset preferences to suit each customer. Subscribers can select which originators to monitor and customize monitoring criteria by company identification or particular routing number. ODFIs can also monitor accumulated totals over the course of a single day or across multiple processing days. Automated e-mail alerts keep designated contacts informed whenever preset caps are exceeded.

But perhaps the best way to understand how the FedACH Risk Origination Monitoring Service is working for ODFIs is to hear directly from them. With approximately \$1.1 billion in assets, Commerce Bank and Trust is a large commercial bank in Worcester, Massachusetts, that has grown throughout its 50-plus years of history. Today the bank offers a wide array of banking services to the public and handles payroll and other cash management services for its corporate customers.

Jim Belliveau, executive vice president of Commerce Bank and Trust, explained that the FedACH Risk Origination Monitoring Service monitors all three of the bank's ACH origination channels—from its mainframe and Internet banking applications, to cash concentrations, to its largest payroll customers who upload files directly to FedLine Advantage. "This system has given us one consolidation point that everything passes through," Belliveau said. "Before the service was in place, we had to monitor each origination channel separately and then test to see if customers were exceeding their limits." That could mean not finding out soon enough if limits were exceeded. "I can now proactively stop originations if they're going to breach their caps," Belliveau continued.

At Commerce Bank and Trust, 95 percent of its ACH payments are from payroll customers. "Because it's so easy to change caps, we can set caps by month or calendar quarter," noted Belliveau. "We communicate cap limits to our originators, resulting in their being more proactive in alerting us to changes in origination totals for situations such as compressed holiday weeks." Maintaining close communication with these customers throughout the day has given Commerce Bank and Trust a competitive advantage, explained Belliveau.

With this close communication between Commerce Bank and its customers, the FedACH Risk Origination Monitoring Service can also help both the bank and its customers mitigate risk exposure with its timely notifications to the bank of any cap breaches.

Furthermore, “I think our regulators would look favorably on a bank that is monitoring its ACH business as closely as we are, where we’re setting caps for different points in time,” said Belliveau. “Now that the service is in place, we may look at expanding our business with payroll customers

quickly and automatically notifies us that the cap was exceeded and then pends the batch. “It’s already helped prevent some problems that, for us as a small institution, would have been a big setback,” said Pettit.

At First National Bank of Central Texas, a Waco-based community bank with \$310 million in assets, senior vice president Steven B. Mullens explained: “If a customer begins operating outside of the tolerances we set, I can generate a report electronically that I can e-mail to others in our organization and our third-party vendor.” In sum, “We’re very happy with how that works.”

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## “The service gives us a better picture of our overall ACH business.”

Jim Belliveau, Executive Vice President  
Commerce Bank and Trust, Worcester, Massachusetts

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because this offers a good control.” In the past, Commerce Bank and Trust had been careful to only add one payroll processor a year to its corporate customer base. “Now we may add two or three,” he said. “With improved risk mitigation, we can also expand to include debit originations for companies such as health clubs.”

The business case is very different at United Services of America Federal Credit Union, a San Diego-based credit union with about \$680 million in assets and 90,000 members. Although it only originates ACH payments for itself, USA FCU has found that the FedACH Risk Origination Monitoring Service has already been extremely useful as an information service.

“With the service, we can see trends using the reporting features and easily determine which are our highest volume days for dollar amounts,” said Crystal Pettit, accountant at USA FCU. “We can then change staffing to accommodate those peak periods,” she continued.

“The service also provides a safety net for us in case something slips through that shouldn’t,” Pettit explained. For example, if an ACH payment should come through as \$10,000, but it appears with an extra zero as \$100,000, the monitoring service

Positive reviews from these customers across the country—in Massachusetts, California and Texas—add up to early success for the FedACH Risk Origination Monitoring Service. As Jim Belliveau at Commerce Bank and Trust summed up, “I definitely would recommend it to others. It makes an organization more safe and sound.” In other words, it earned a thumbs up from these customers.

To find out more about the FedACH Risk Origination Monitoring Service, please visit [www.frbservices.org/Retail/fedachRisk.html](http://www.frbservices.org/Retail/fedachRisk.html).

There you’ll find:

- An informative online seminar, *“Shedding Light on ACH Risk”*
- A series of dramatized Webisodes titled *“From the Shadows of Risk”*
- A carefully researched white paper, *“ACH Risk: Here and Now”*
- A quick quiz to help you gauge your ACH risk preparedness
- A checklist to determine your organization’s readiness for the service

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