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NACHA Issues Sound Business Practices for Evaluating High-Risk Bank Customers

New Resource and Other Initiatives Seek to Support Financial Institutions in Mitigating Risks Associated with High-Risk Originators and Maintaining ACH Network Quality

HERNDON, Va., May 30, 2014 – Today, NACHA — The Electronic Payments Association® released a new resource to help financial institutions in assessing and monitoring companies that may present a higher than normal risk profile when they initiate ACH transactions. These companies are sometimes known as higher-risk ACH Originators. The [Sound Business Practices for Evaluating Customer Risk](#) provides financial institutions with guidance on appropriate due diligence, at both the enterprise and ACH-specific level, before onboarding a new ACH Originator and on an ongoing basis to ensure that a financial institution has a thorough understanding of a business’s potential risk profile.

“Appropriate due diligence when onboarding a new ACH Originator or when evaluating existing relationships is a key component of effective risk management for financial institutions,” said Janet O. Estep, president and CEO of NACHA. “Employing proper due diligence and other risk management strategies helps financial institutions mitigate their risk and helps ensure the continued safety, security and integrity of ACH payments and the ACH Network.”

To further support financial institutions and the payments industry with managing risks, NACHA is expanding use of its [Originator Watch List](#) tool to government entities such as state agencies, enabling these groups to submit information to NACHA on Originators and Third-Parties for inclusion in the Originator Watch List. Financial institutions can utilize the information found within the Originator Watch List to supplement their due diligence efforts and risk management processes. To launch this new initiative and to support efforts recently announced by the state of Vermont, NACHA will work with the Office of the Attorney General for Vermont to populate the

Originator Watch List with Originators and Third-Party Senders the Office believes are engaged in unlawful lending to consumers in that state.

In addition, financial institutions and Third Parties can use the NMLS (Nationwide Multistate Licensing System) to supplement their due diligence efforts. The NMLS is the system of record for the registration of state and federally regulated mortgage loan originators, as well as licensed money transmitters, pawnbrokers, check cashers, payday lenders and other financial services. The NMLS includes both the NMLS Consumer Access system, a free website available to the general public to view information concerning state-licensed companies, and the NMLS B2B Access system, a subscription service for organizations seeking to use the data to confirm license status and prevent fraud. The NMLS is currently being used by all state regulators for mortgage loan originator licensing. Several states also currently manage the other non-depository financial services entities they license on the system, such as money transmitters, pawnbrokers, check cashers, and payday lenders.

Furthermore, financial institutions can make use of NACHA's [Terminated Originator Database](#) as a means to support risk management activities. The Terminated Originator Database identifies Originators and Third-Party Senders that have been terminated for cause.

“By utilizing tools such as the Originator Watch List, the Terminated Originator Database, and the NMLS, financial institutions can make more informed decisions about new Originators or Third-Party Senders before onboarding,” said Estep. “In this way, financial institutions can better protect their customers – governments, consumers and businesses that use the ACH Network every day.”

NACHA will be providing additional details on the *Sound Business Practices for Evaluating Customer Risk*, use of the Originator Watch List and Terminated Originator Database, the NMLS and other current Risk Management initiatives during a Webinar to be held June 19 from 1:30-3:00pm Eastern Time. The Webinar entitled, [Making Due Diligence Easier with High-Risk Originators](#), will feature Devon Marsh, SVP, Treasury Management & Internet Services Risk & Compliance, Wells Fargo; Tim Doyle, Conference of State Bank Supervisors; and Michael Herd, Senior Managing Director, ACH Network Rules, NACHA. Cindy Jenkins, Senior Director, Risk Management, NACHA, will serve as moderator. To register or for more information, visit www.nacha.org

The *Sound Business Practices for Evaluating Customer Risk* is a project of NACHA's Risk Management Advisory Group (RMAG). RMAG advises the NACHA Board of Directors on risk strategy. RMAG monitors Network developments to assess risk management needs, develops sound business practices on risk management issues, initiates risk-related rules proposals, and develops new risk management tools and services.

About NACHA — The Electronic Payments Association

NACHA manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data. The ACH Network provides a safe, secure, and reliable network for direct account-to-account consumer, business, and government payments. Annually, it facilitates billions of Direct Deposit via ACH and Direct Payment via ACH transactions. Used by all types of financial institutions, the ACH Network is governed by the fair and equitable NACHA Operating Rules, which guide risk management and create payment certainty for all participants. As a not-for-profit association, NACHA represents more than 10,000 financial institutions via 16 Regional Payments Associations and direct membership. Through its industry councils and forums, NACHA brings together payments system stakeholders to foster dialogue and innovation to strengthen the ACH Network. To learn more, please visit www.nacha.org, www.electronicpayments.org, www.payitgreen.org, and <http://direct.nacha.org>.

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