

ACH Management Policy

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Policy

Purpose and Content

The purpose of this document is to set forth written policy adopted by _____ [hereafter referred to as “Financial Institution”] regarding the management of activities and procedures of the Automated Clearing House (ACH) service operation as a Receiving Depository Financial Institution (RDFI) and Originating Depository Financial Institution (ODFI). This is a living document, subject to revision in conjunction with the current year *Nacha Operating Rules & Guidelines*, [hereafter referred to as the *Nacha Rules*].

All employees of Financial Institution must comply with the terms of this policy.

Scope

The Board of Directors of Financial Institution defines the scope of this policy to address all areas of ACH activity, including receipt of ACH transactions (RDFI) **and/or** origination of ACH transactions (ODFI). It will be the policy of Financial Institution to comply with all *Nacha Rules*, regulations and other related requirements. This policy specifically defines this financial institution’s intentions regarding those requirements under the *Nacha Rules, 31 C.F.R. Part 210, Regulation E: Electronic Funds Transfers and Uniform Commercial Code Article 4A*, which permits alternative handling based upon individual financial institution policies and procedures.

This policy applies to the following:

- Financial Institution employees
- Any organization or individual with a contractual relationship with Financial Institution
- Information in all forms, including oral, written, image and electronic
- Physical and logical (non-physical) security of all forms of data
- All modes of information processing, including, but not limited to, manual methods, hardware and software networks, other devices and information disposal techniques
- Information used by Financial Institution which originates outside, including, but not limited to, vendors, contractors, customers, regulators, other enterprises and the public domain
- Financial Institution’s information resources used by, shared by or in the custody of others

Strategies

The Board of Directors realizes that with proper training and adoption of policies and procedures instituted throughout the organization, receipt of ACH transactions poses a limited amount of risk.

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The receipt of ACH transactions, as well as the ACH origination portfolio, will be administered to conform to the directives of this policy and will conform to all applicable federal, state and local laws and regulations, including the *Nacha Rules*.

- To mitigate potential risk, Management shall maintain an adequate method of tracking the potential for operational losses, related to both received and originated transactions
- Management shall develop and maintain a method of performing an initial appraisal of the risk associated with each potential Originator, and will put in place the required system to track the ongoing risk of Files originated from those companies and establish a continuing evaluation of the origination services portfolio
- Each Originator will be placed into a risk classification based on how well the Originator meets the established financial and risk criteria

To mitigate risk in providing ACH services, the officers of Financial Institution shall be guided by the basic standards outlined in this policy and by related operating procedures developed from this policy.

Risk Management

Systems and Controls

The systems and controls needed for an effective ACH Risk Management Program include written policies and procedures, strong internal controls and a risk-based audit program. The depth and breadth of a Financial Institution's ACH policies and procedures will depend on the scope and complexity of those ACH activities.

Adequate policies and procedures generally include the following basic components:

- A summary of the ACH program's objectives and its role within Financial Institution's strategic plan
- Board-approved risk tolerances that outline the types of ACH use cases for which Financial Institution may originate, and the types of businesses approved for ACH origination
- Clearly defined duties and responsibilities that ensure strong internal controls over transactions
- An ACH credit-risk management program
- An effective vendor management program, including a due diligence process for selecting Third-Party Services Providers, and an oversight process for monitoring

Oversight Responsibilities

Financial Institution's ACH Risk Management Program includes a series of effective systems and controls to monitor its ACH activities, including a risk-based audit program.