

Direct Access Participant - Best Practices for ODFIs

• Know Your Customer - Originators and Third Parties

ODFIs should exercise due diligence to determine whether allowing a Direct Access relationship is appropriate with any given customer. This should include:

- (1) Reviewing financial statements (e.g., three years worth) to check for creditworthiness;
- (2) Obtaining and reviewing ratings from a credit service company and the Better Business Bureau;
- (3) Understanding the type of business their customer is engaged in; and
- (4) Knowing the types of ACH transactions that are being originated.

DFIs should approve any new business introduced by Originators or third parties with Direct Access after conducting an appropriate review. For example, DFIs should perform a risk-based review of new Originators supported by a third party with Direct Access to manage risks related to changes in volume and character of transactions.

• Adherence to the Rules

DFIs should ensure their agreements with these Originators and third parties address all appropriate rules provisions, including proper authorization and revocation language, and otherwise adhere to the Rules.

• Utilize Operator Risk-Monitoring Tools

DFIs, along with the Originators and third parties, should subscribe to the risk-monitoring services provided by the ACH Operators.

• Monitor Volume and Act Accordingly

DFIs should monitor origination and return volume and act accordingly if they note anything out of the ordinary, including a significant increase in origination volume or dollars, as well as an atypical increase in return entries, particularly if the returns are for unauthorized reasons.

• Follow Regulatory Guidance Regarding Third-Party Relationships

Federal banking agencies have recently released guidance on the use of third parties in sensitive banking areas. DFIs should remain current on all compliance standards related to the use of third parties for ACH origination.