

Direct Access Debit Participant Registration

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What is Direct Access?

- By definition, Direct Access involves a separation of control and responsibility.
- These relationships may expose ACH Network participants, including the ODFI, to a variety of risks (including fraud) that may result from potential shortcomings in the Originator's or Third-Party's policies and processes.
- Regardless of the level of due diligence performed by an ODFI, the ODFI remains responsible for the entries those customers introduce into the ACH Network.
- It is essential for ODFIs that establish such Direct Access Debit Participants to mitigate risks by thorough underwriting, management and monitoring of these relationships.

Direct Access Registration Rule

- The *NACHA Operating Rules** requires all ODFIs to register their Direct Access status with NACHA.
 - For Direct Access Debit Participant (DADP) relationships, the *Rules* require the ODFI to (1) report certain information regarding each DADP relationship prior to originating entries, (2) provide quarterly data, and (3) provide updates, including any termination information.
 - For an ODFI that has *no* DADP relationships, the ODFI must provide NACHA with that status as well by acknowledging a statement to that effect.
- Direct Access registration requirements are enforced through audit provisions in the ODFI's annual rules compliance audit, and through rules enforcement.
 - Non-compliance can result in the imposition of fines in the rules enforcement process.
- * 2018 *NACHA Operating Rules*, Subsection 2.17.1, Direct Access Registration

Definitions

- **Direct Access** is a situation in which an Originator, Third-Party Sender, or a Third-Party Service Provider transmits credit or debit entries directly to an ACH Operator using an ODFI's routing number and settlement account.
- A **Direct Access Debit Participant** is an Originator, Third-Party Sender, or a Third-Party Service Provider with Direct Access for the origination of debit entries except:
 - a Third-Party Service Provider that transmits files solely on behalf of an ODFI where that Third-Party Service Provider does not have a direct agreement with an Originator (and is not itself an Originator).
 - (e.g., a bank service company performing services on behalf of a bank)
 - an ODFI that transmits files using another Participating DFI's routing number and settlement account.
 - (e.g., a correspondent/respondent relationship)

Direct Access Sound Business Practices

- Adherence to the *NACHA Operating Rules*
 - ODFIs should ensure agreements with Originators, Third-Party Senders and/or Third-Party Service Providers address all appropriate rules provisions, including proper authorization and revocation language, and adherence to the *Rules*.
- Utilize ACH Operator Risk Monitoring Tools
 - ODFIs, Originators, Third-Party Senders and/or Third-Party Service Providers should subscribe to the risk monitoring services provided by the ACH Operators.

Direct Access Sound Business Practices

- Know Your Customer - Originators and Third-Parties
 - ODFIs should exercise due diligence to determine whether the Direct Access relationship is appropriate.
 - Review financial statements to check for creditworthiness.
 - Obtain and review ratings from a credit service company and the Better Business Bureau.
 - Understand the business of the customer.
 - Know the types of ACH transactions that are being originated.
 - Approve any new business introduced by Direct Access entity only after conducting an appropriate review.
 - Perform risk-based review of new Originators supported by a Third-Party Sender or Third-Party Service Provider with Direct Access.
 - Stay active in managing risks related to changes in volume and character of transactions.

Direct Access Sound Business Practices

- ODFIs should monitor origination and return volume and act accordingly. ODFIs should pay attention the activity of its Direct Access Debit Participant. Monitor for:
 - Significant increases in origination volume or dollars.
 - Atypical increases in return entries - particularly returns for unauthorized, administrative, and overall reasons.
- Follow regulatory guidance regarding Third-Party Sender or Third-Party Service Provider relationships.
 - ODFIs should remain current on all compliance standards related to the use of Third-Party Sender or Third-Party Service Provider for ACH origination.

Direct Access Registration

- Direct Access *can* exist in many scenarios, but may not be required to be registered based on the exclusions to the definition.
 - A Third-Party that transmits files solely on behalf of the ODFI where that Third-Party does not have a direct agreement with an Originator (and is not itself an Originator).
 - An ODFI that transmits files using another ODFI's routing number and settlement account.
- **It is incumbent on the ODFI to make the final determination of its Direct Access status and register accordingly.**
 - **The ODFI must define its specific relationship(s) with Third-Parties and Originators.**

- If the financial institution attests that they have Direct Access Debit Participant relationships, NACHA Staff will contact the Financial Institution to confirm the relationship and complete the registration along with the Financial Institution.

Direct Access Debit Registration - Required

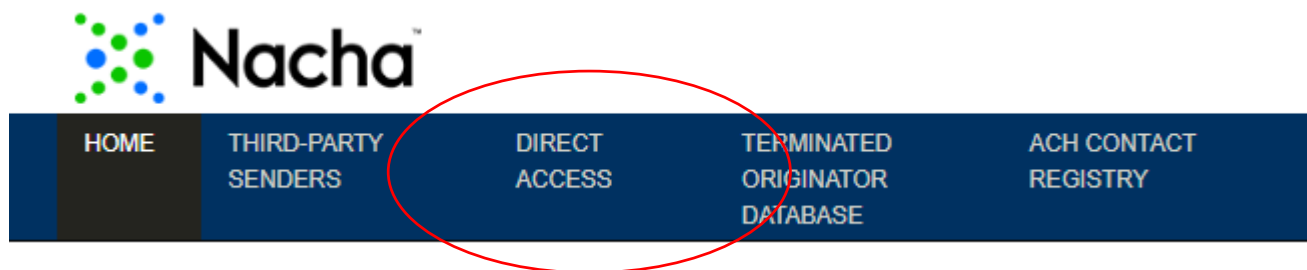
DIRECT ACCESS DEBIT REGISTRATION

Please attest to the status of any Direct Access Debit relationships your financial institution may maintain:

☒ I attest that I am an employee of the financial institution named above, and that I have the authority to submit this acknowledgement, and that the financial institution **does** currently maintain relationships that are Direct Access Debit Participants.

☐ I attest that I am an employee of the financial institution named above, and that I have the authority to submit this acknowledgement, and that the financial institution **does not** currently maintain relationships that are Direct Access Debit Participants.

- Direct Access (DA) menu in the Portal is only enabled for FIs that have DA relationships.



Direct Access
Debit
Registration -
Required

- All Financial Institutions with one or more Direct Access Debit Participant relationships must provide quarterly data.
- Direct Access Debit Participant relationships can be deactivated using the icons in the actions column.

Submit Quarterly Direct Debit Participant

Tax Identification Number *: 84-1847361

Reporting Year *: 2017

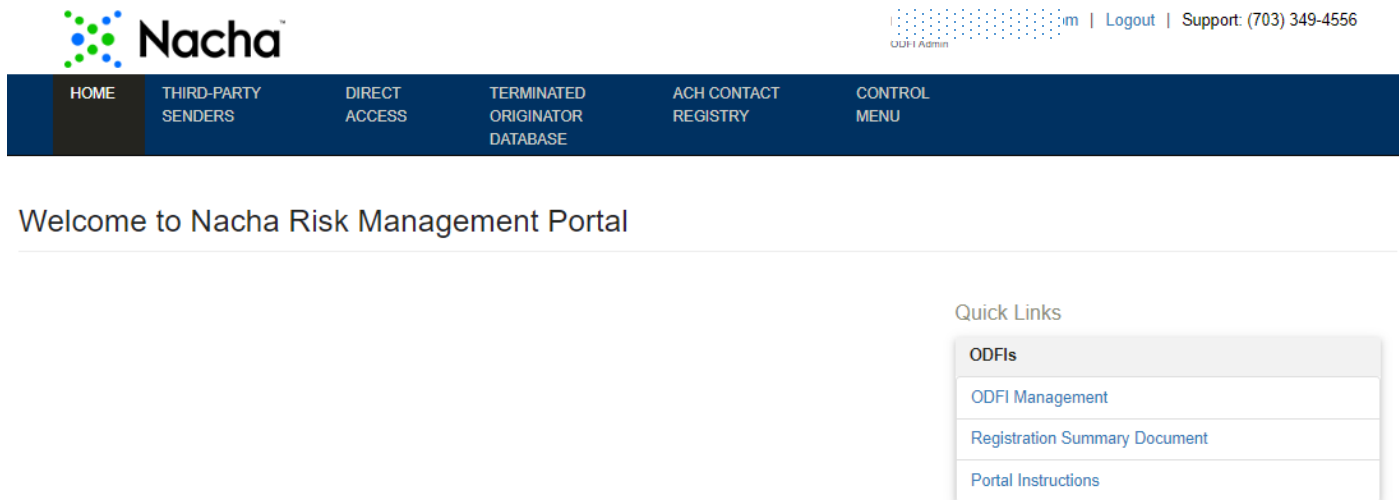
Reporting Quarter *: 2nd Qtr (Apr-Jun)

Sec	Avg. Daily Orig #	Avg. Daily Orig \$	Avg. Daily Returns #	Avg. Daily Returns \$	Percentage of Returns (all RRCs)	Percentage of Returns (NSF)	Percentage of Returns (Administrative)	Percentage of Returns (Unauthorized)	Actions
PPD	76	1328	4	83	.95	.32	.30	.01	-
CCD	5	10532	0	0	0	0	0	0	+ -
Total	81	11860	4	83					

BACK SUBMIT

Direct Access
Debit
Registration -
Required

- Disable all pop-up blockers
- Click on the “Registration Summary Document” button to print proof of registration



The screenshot shows the Nacha Risk Management Portal. At the top left is the Nacha logo. To the right of the logo is a navigation bar with links: HOME, THIRD-PARTY SENDERS, DIRECT ACCESS, TERMINATED ORIGINATOR DATABASE, ACH CONTACT REGISTRY, and CONTROL MENU. Further right, there is a user profile section with a dotted pattern, the text 'ODFI Admin', and links for 'Logout' and 'Support: (703) 349-4556'. Below the navigation bar, a welcome message reads 'Welcome to Nacha Risk Management Portal'. On the right side, there is a 'Quick Links' section with a list of links: 'ODFIs', 'ODFI Management', 'Registration Summary Document', and 'Portal Instructions'.

Registration Summary

- A one-page summary will appear in a new window. Use your browser's print option to print and/or save the one-page registration confirmation.



2550 Wasser Terrace
Suite 400
Herndon, VA 20171

703-561-1100
nacha.org

Registration Summary Report

FCU, Primary Routing Number 2, 123 Main Street
has successfully registered with NACHA.

REGISTRATION STATUS: Active

DATE OF INITIAL REGISTRATION: 12-26-2019

AS OF 06-11-2020, FCU HAS ATTESTED TO THE FOLLOWING:

ACH CONTACT REGISTRY

The financial institution has satisfied the requirements of the ACH Contact Registry.

THIRD-PARTY SENDER REGISTRATION

The financial institution **does** currently maintain Third - Party Sender customers.
The financial institution maintains **1** Third - Party Sender customer(s).

DIRECT ACCESS REGISTRATION

The financial institution **does** currently maintain Direct Access Debit Participant relationships.
The financial institution maintains **1** Direct Access Debit Participant relationship(s).

Registration Confirmation

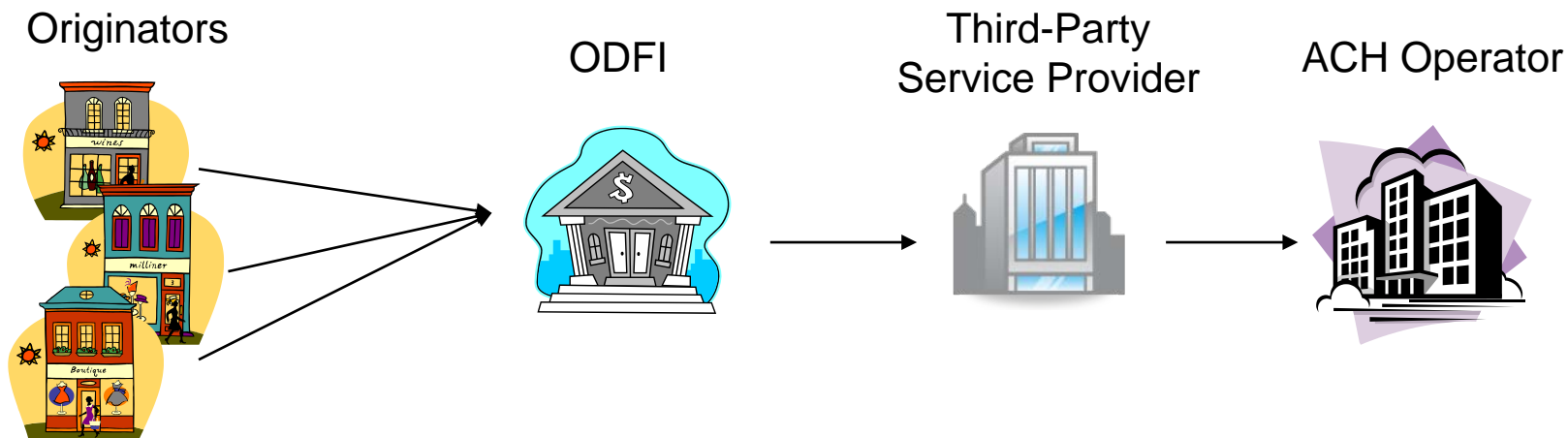
APPENDIX

Direct Access Scenarios

NOTE: The Appendix illustrates several Direct Access examples. These are examples only and not meant to define every Direct Access relationship. An ODFI must determine its own Direct Access status.

Direct Access Scenario A

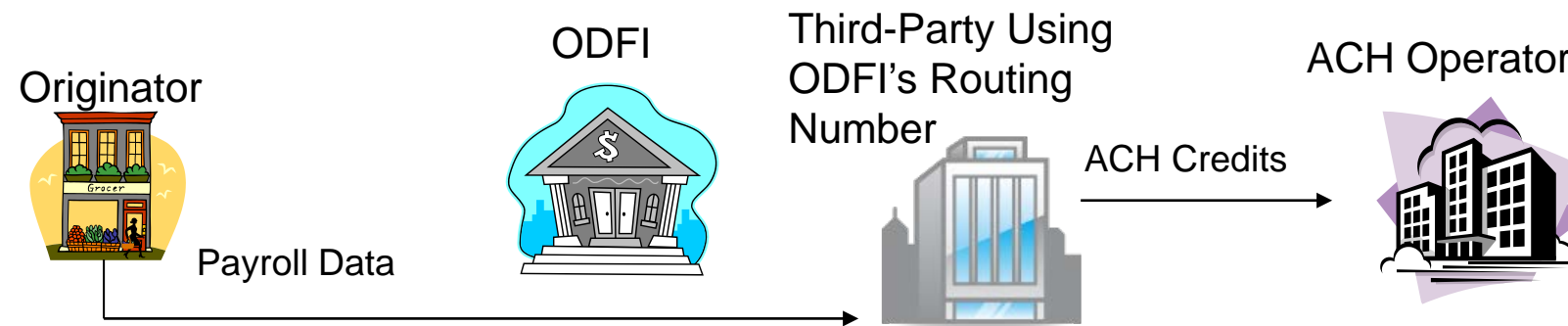
Our financial institution outsources all of our ACH services to a Third-Party and we have ACH origination agreements with our own Originators. Does our institution need to register this relationship?



No. This relationship is excluded from registration as long as the Third-Party is transmitting debit origination files solely in the capacity of a bank service company for the financial institution. The ODFI would register using Form A. If the Third-Party is transmitting debit origination files on behalf of itself or Originator customers outside their relationship as a bank service provider for the ODFI, then the ODFI would register that relationship using Form B.

Direct Access Scenario B

Our financial institution has an Originator customer that uses a Third-Party for Direct Deposit of Payroll and the Third-Party submits the file directly to the ACH Operator. Does our institution need to register this relationship?

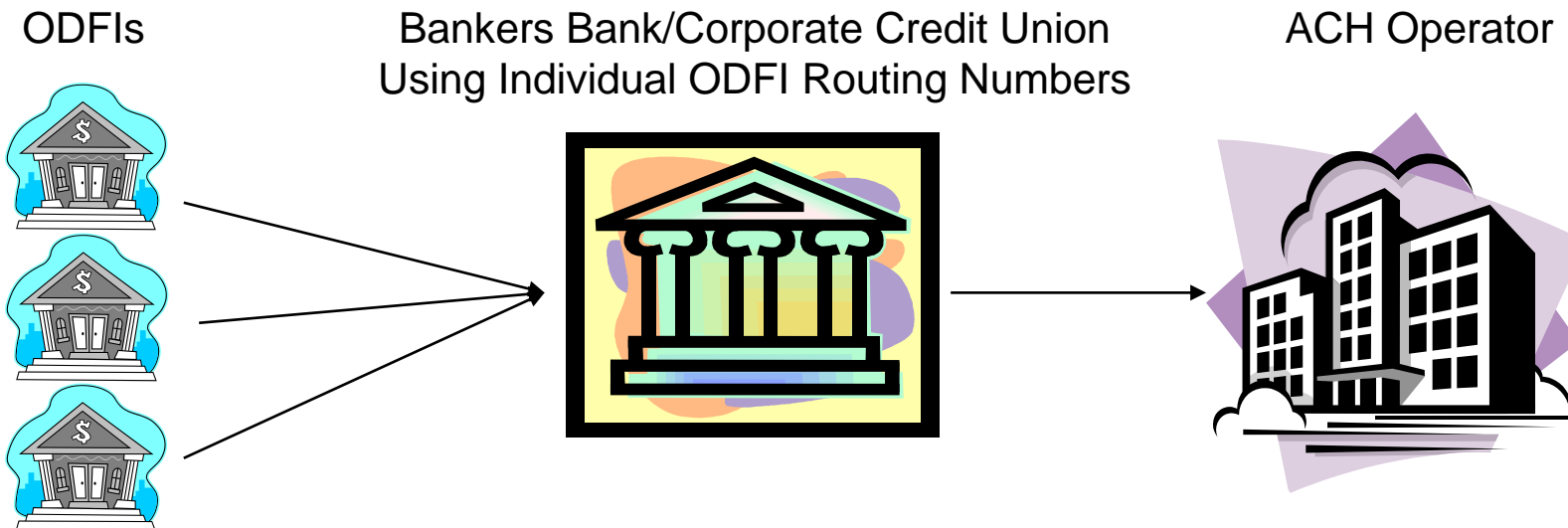


No. The Direct Access Rule applies only to ACH debit origination. The ODFI would register using Form A.

Special Note: Although ODFIs may permit the origination of credit transactions through Direct Access arrangements, ODFIs are not required to register those relationships under the provisions of this Rule. This includes credit relationships, such as for Direct Deposit of Payroll, which may occasionally necessitate a debit reversal.

Direct Access Scenarios C

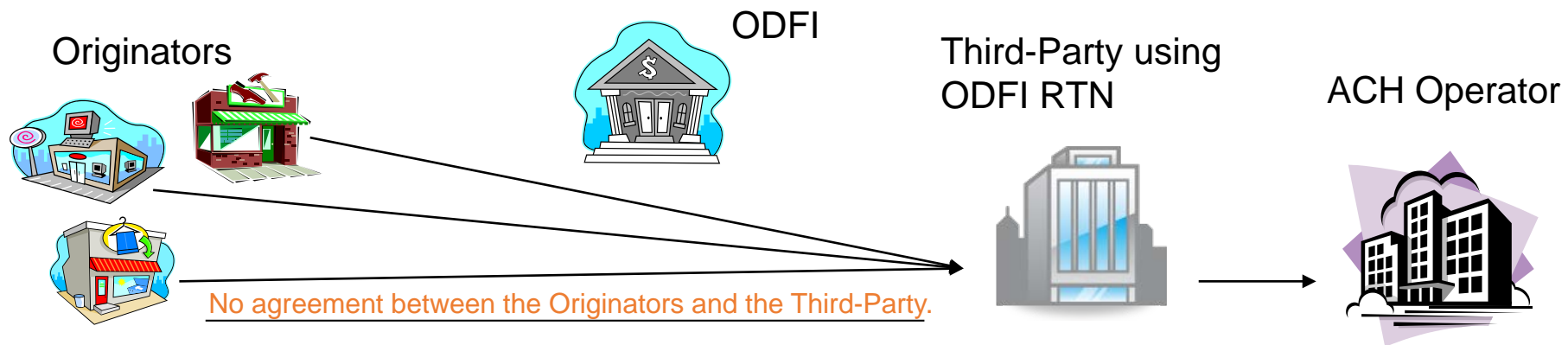
Our credit union transmits all of our ACH files to our corporate credit union processor and they transmit to the ACH Operator. Does our institution need to register this relationship?



No. A financial institution that transmits ACH debit origination files using another financial institution's routing number (i.e. correspondent/respondent relationship) has an exclusion from registering that relationship. The ODFI would register using Form A.

Direct Access Scenario D

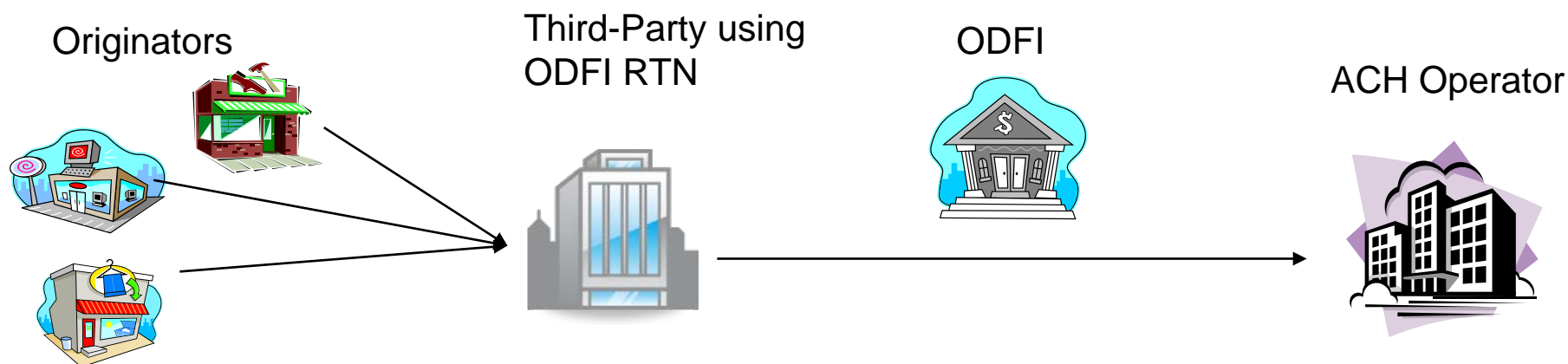
Our financial institution's Originators transmit their files to a Third-Party who then transmits directly to the ACH Operator using our routing number. Our Originators do not have an agreement with the Third-Party. Does our institution need to register this relationship?



It depends on whether the Third-Party is transmitting files solely on behalf of your financial institution as a bank service provider. If that is the case, the ODFI would register using Form A. If the Third-Party is transmitting files directly to the ACH Operator for its own business or on behalf of Originators outside of its role as a bank service provider, then the ODFI would register that relationship using Form B.

Direct Access Scenario E

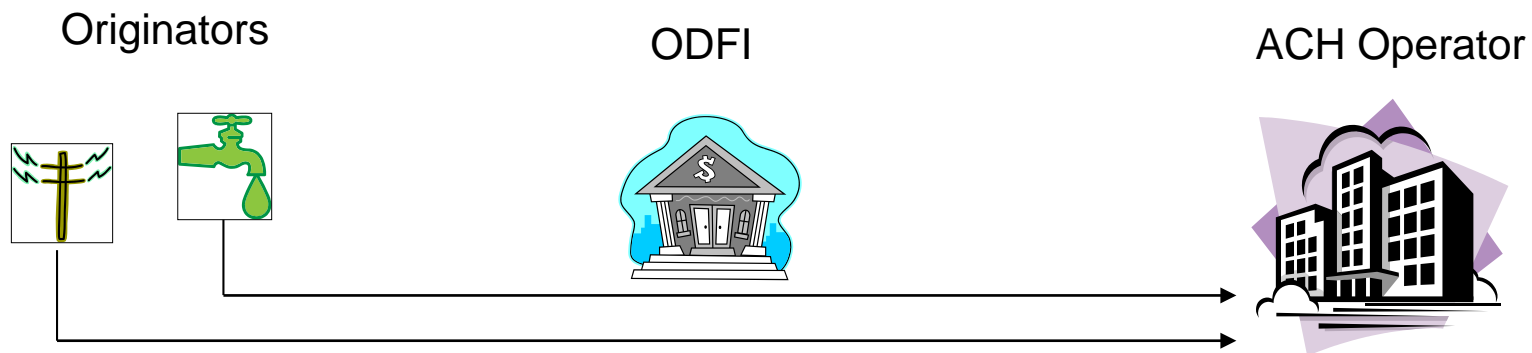
Our financial institution has an agreement with a Third-Party that transmits ACH debit files for their Originators directly to the ACH Operator using our routing number. My financial institution does not have agreements with the Originators. Does our institution need to register this relationship?



Yes. Your institution should register this Direct Access Debit Relationship with NACHA because the Third-Party is transmitting debit origination files directly to the ACH Operator for its own business purposes. The ODFI would register using Form B.

Direct Access Scenario F

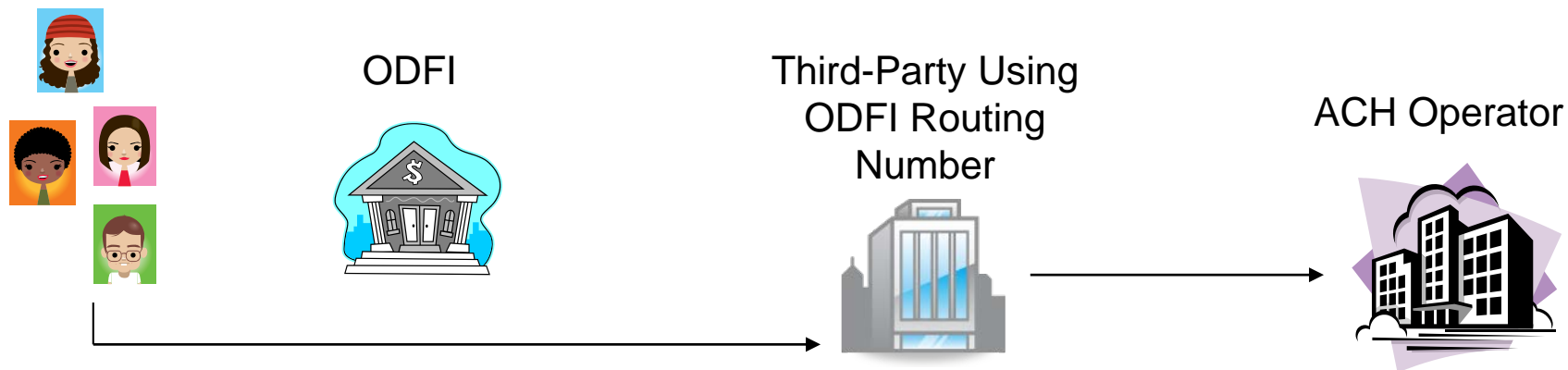
Our financial institution has ACH Originator customers that transmit ACH debit files directly to the ACH Operator using our routing number. Does our institution need to register this relationship?



Yes. For purposes of this Direct Access registration process the ODFI would register using Form B, because the Originator is transmitting debit origination files directly to the ACH Operator.

Direct Access Scenario G

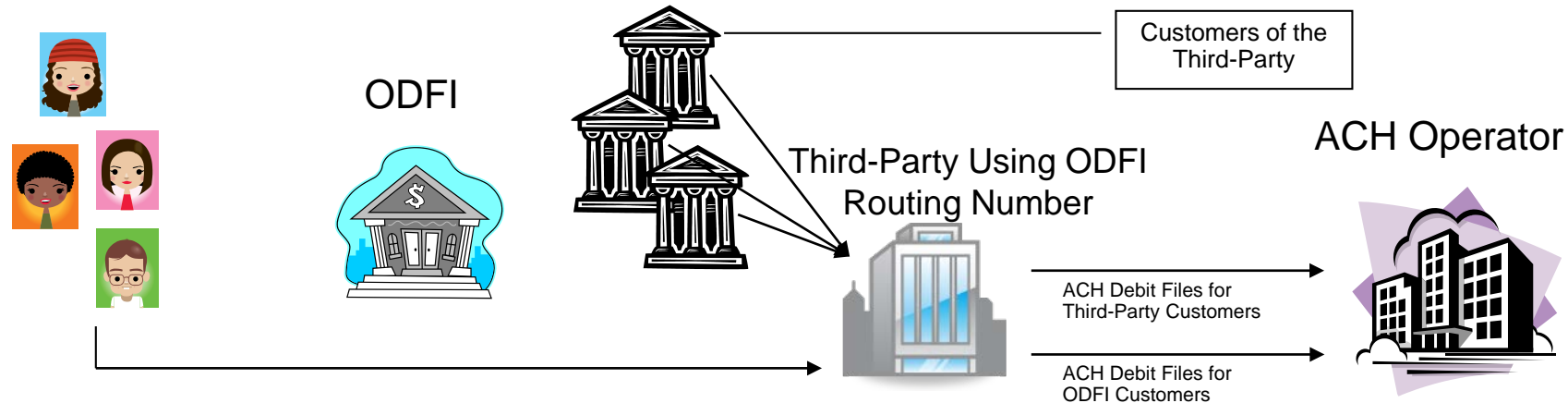
Our financial institution has a relationship in which our Third-Party hosts our online banking platform for our customers and transmits directly to the ACH Operator using our routing number. Does our institution need to register this relationship?



No. For purposes of this Direct Access registration process, if the Third-Party Sender or Third-Party Service Provider is hosting the online banking platform for the ODFI in the role of a bank service provider, then the ODFI would not have to register the Third-Party Sender or Third-Party Service Provider. The ODFI would register using Form A.

Direct Access Scenario H

Our financial institution has a relationship in which our Third-Party hosts our online banking platform for our customers and transmits directly to the ACH Operator using our routing number. The Third-Party also transmits ACH debit entries using our routing number to debit their customer's accounts for processing services. Does our institution need to register this relationship?



No – and yes. For purposes of this Direct Access registration process, if the Third-Party Sender or Third-Party Service Provider is hosting the online banking platform for the ODFI in the role of a bank service provider, then the ODFI would not have to register that Third-Party Sender or Third-Party Service Provider for that relationship. However, since the Third-Party is *also* using the ODFI routing number to send separate ACH debit files to the ACH Operator for their own business purpose, that relationship should be registered with NACHA.

Questions?

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Email: rmportal@nacha.org