



Electronic Payments Core of Knowledge

PARTICIPANT GUIDE

Will the Real Third-Party Senders Please Stand Up?

Welcome to:

Will the Real Third-Party Senders Please Stand Up?

Program Description

Join us to better understand Third-Party Senders and their roles and responsibilities as defined by the *ACH Rules*, including the role of Nested Third-Party Sender relationships. We'll discuss the additional risk they present to the ODFI and differentiate between a Third-Party Service Provider (TPSP), Third-Party Sender (TPS) and Nested TPS. And we'll walk through real-life origination scenarios to identify the third parties involved.

AAP/APRP Credits: 1.2

Objectives

- ACH History
- Real-Life Origination Scenarios
- ODFI Responsibilities & Risks
- Third-Party Sender Role & Responsibilities

Ground Rules

Please keep the following ground rules in mind to help create a more effective learning experience for everyone. We will discuss additional participation instructions during the online session.

1. Log on to class at least 10 minutes before the scheduled start.
2. Turn off email and phones and clear other distractions away from your training area.
3. Participate and prepare to be called on by name. The online learning environment lends itself to interaction. Participation will keep you engaged and move the class along.
4. Raise your hand if you have an immediate question or comment. Asking questions helps other participants clarify or reinforce concepts.
5. Be patient in waiting for a response to your chat message.

Technical Assistance

Your course invitation email contains step-by-step instructions for logging into this event. If you are having technical difficulty, please call 800.500.0100



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Direct Member

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ROCK N' ROLL

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Will the Real Third-Party Senders Please Stand Up?
Agenda

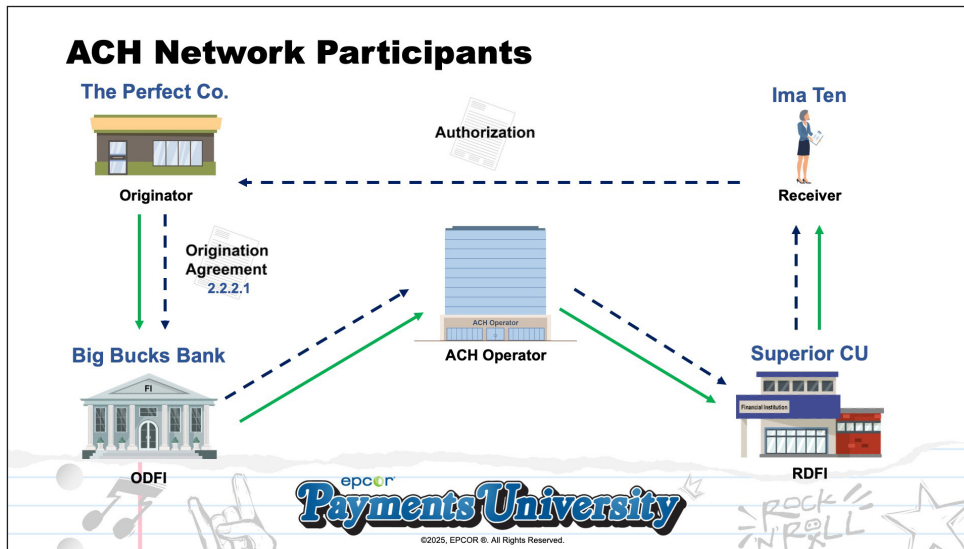
- 1 ACH History
- 2 Real-Life Origination Scenarios
- 3 ODFI Responsibilities & Risks
- 4 Third-Party Sender Role & Responsibilities

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ACH History

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Third-Party Service Provider (TPSP)

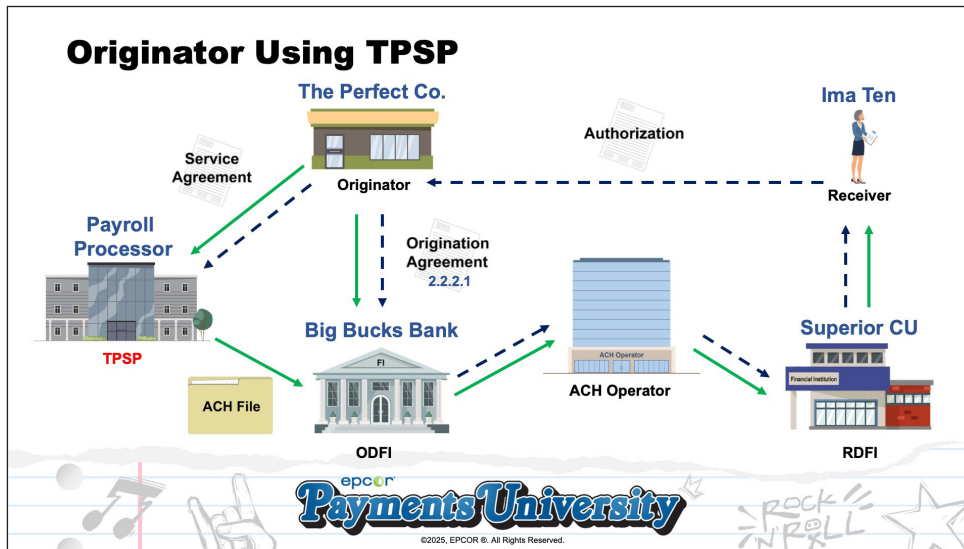
Organization other than:

- Originator
- ODFI
- RDFI

Performs a function of ACH processing on behalf of the organization

Section 8.113, page OR70

The complex block contains a definition of a Third-Party Service Provider (TPSP). It lists three types of organizations that are not TPSPs: Originator, ODFI, and RDFI. It states that a TPSP performs a function of ACH processing on behalf of the organization. It also references 'Section 8.113, page OR70'. To the right of the list is an illustration of a modern, multi-story building with a glass facade. At the bottom center is the 'epcor Payments University' logo with the text '©2025, EPCOR ®. All Rights Reserved.' and decorative elements like musical notes and a hand sign.



Third-Party Sender (TPS)

Type of Third-Party Service Provider

Third-Party Sender (not the Originator) has the Origination Agreement with the ODFI

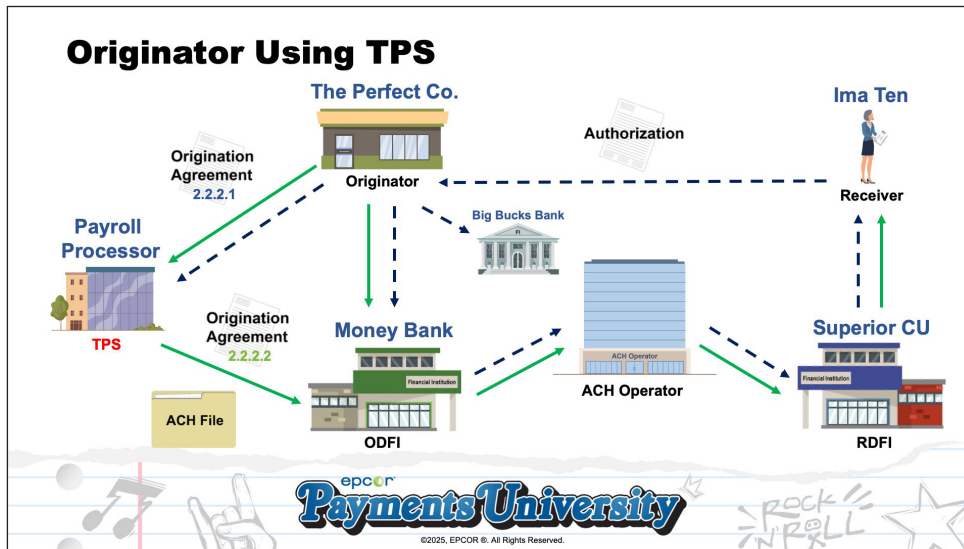
Acts as an intermediary between the Originator & the ODFI

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May also act as an intermediary between another TPS & the ODFI

Section 8.112, page OR71

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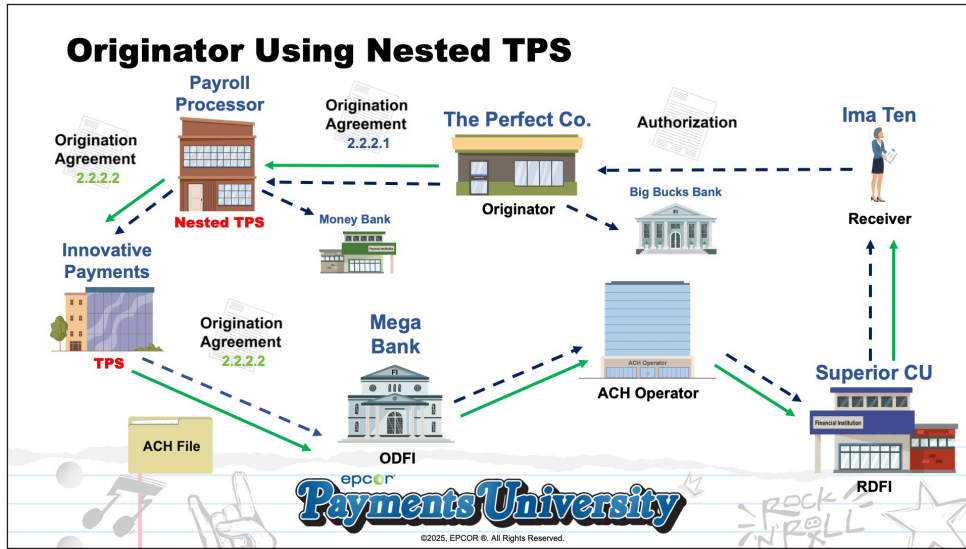
Nested Third-Party Sender

TPS has an agreement with another TPS to act on behalf of an Originator AND

Does NOT have a direct agreement with the ODFI

Section 8.61, page OR66

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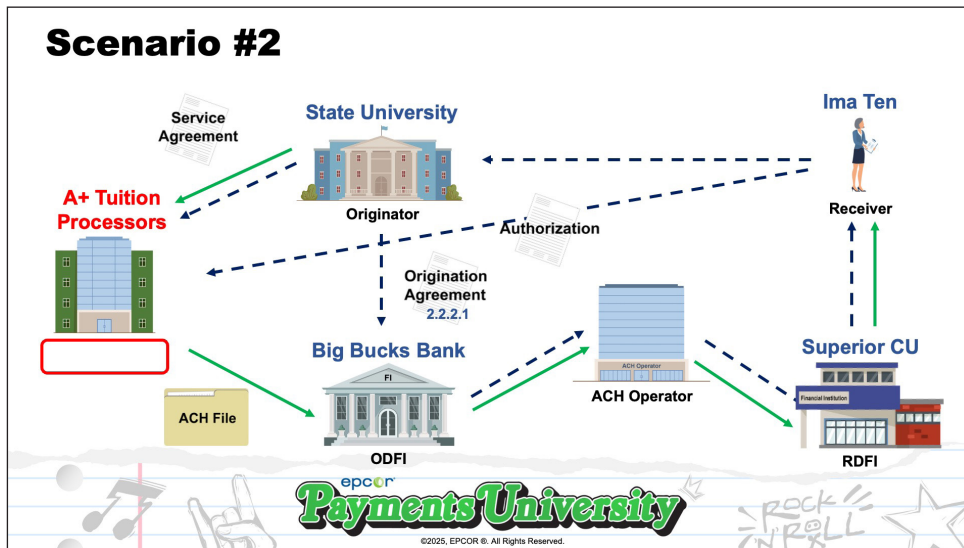
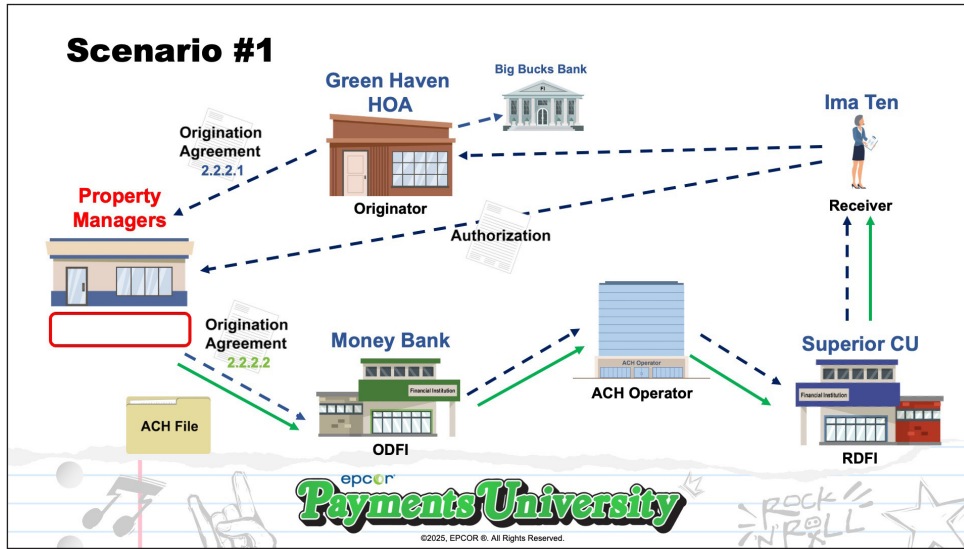


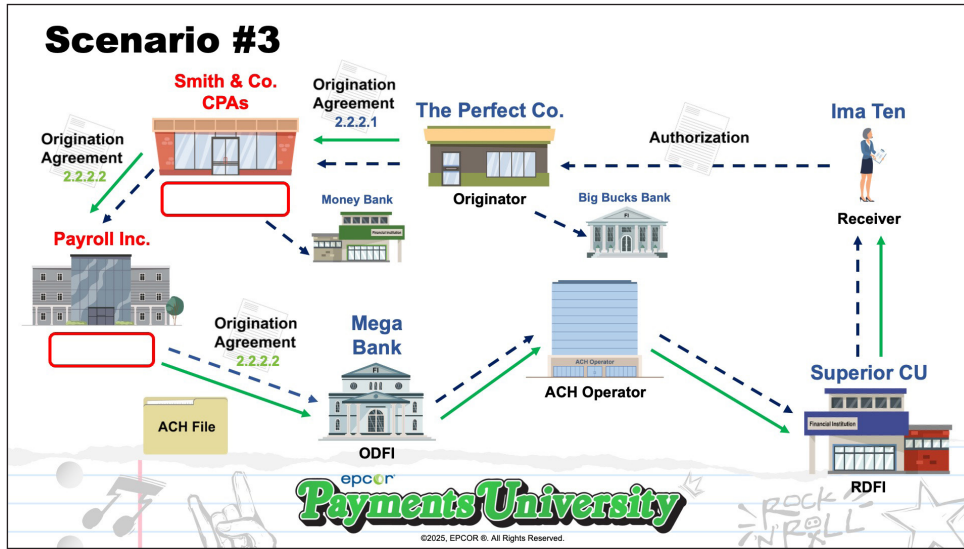
Real-Life Origination Scenarios

TPSP, TPS or Nested TPS?

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ACH Operations Bulletin #2-2014

Appendix N, page OG 411

The image shows the cover of the **2025 NACHA Operating Rules & Guidelines** book and a page from **Appendix N** of the **ACH Operations Bulletin #2-2014**. The book cover is blue and white with the NACHA logo. The bulletin page is titled **ACH Transactions Involving Third-Party Senders and Other Payment Intermediaries - ACH Operations Bulletin #2-2014**. It includes an **EXECUTIVE SUMMARY** and a **DISCUSSION** section. The executive summary discusses the roles of various parties in ACH transactions and the importance of understanding the underlying transaction. The discussion section mentions a NACHA rule change effective on March 21, 2014, regarding the definition of a Third-Party Sender. The bulletin is branded with **epcor Paym** and includes a copyright notice: ©2025, EPCOR®. All Rights Reserved.

**ODFI
Responsibilities
& Risks**

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ODFI Warranties & Liabilities

- Origination agreement is not terminated
- Entry is properly authorized & authorization has not been revoked
- Credit entry is timely
- Debit entry is for an amount that is due & owing
- Entry contains correct account number & necessary information for posting

2025 Nacha Operating Rules & Guidelines
The Goldmine Rules
Covering the ACH Network
Nacha

Article Two


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ODFI Risks

- Credit
- Compliance
- Fraud
- Reputation



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Credit Risk

Risk that a party to a transaction will not be able to provide the necessary funds, as contracted, for settlement to take place on the scheduled date

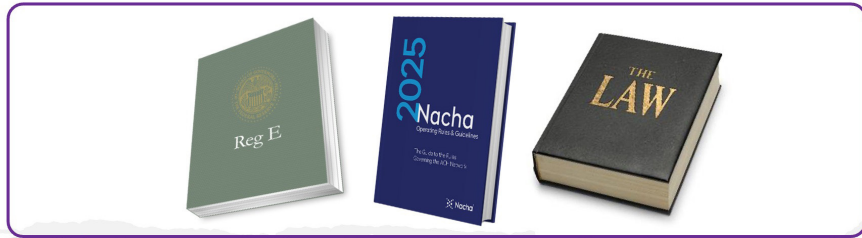
<p>\$ Credit Origination \$</p> <p>Originator and/or TPS will fail to fund ODFI for credits</p>	<p>\$ Debit Origination \$</p> <p>ODFI will be unable to recover funds from Originator or TPS for debits returned by RDFI</p>
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Compliance Risk

Risk occurs when a party to a transaction fails to comply, either knowingly or inadvertently, with payment system rules & policies, regulations and applicable U.S. & state law



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Fraud Risk

Risk that a payment transaction will be initiated or altered in an attempt to misdirect or misappropriate funds



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Reputation Risk

Risk occurs when a negative publicity regarding a financial institution's business practices leads to a revenue loss or litigation



ODFI Risk Management

Employ the "Know Your Customer (KYC)" & "Know Your Customer's Customer (KYCC)" principles

Assess the nature of the ACH activity & the risks it presents

Set & enforce exposure limits

Monitor origination & return volumes

Educate Originators & Third-Party Senders



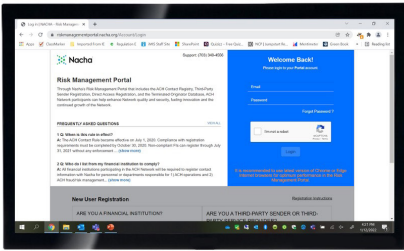
Nacha's Third-Party Sender Registry

All ODFIs must either:


- Register TPS relationships OR
- State they have none

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Subsection 2.18.3, page OR41



riskmanagementportal.nacha.org



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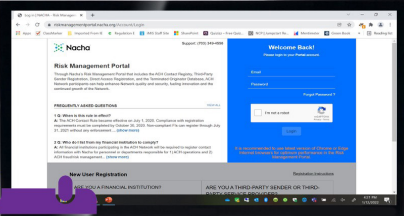
ODFIs with Registered TPS

ODFIs must:

- Review each TPS it registered
- Update Nested TPS status
- Yes or no

Subsection 2.18.3.1 Page OR41

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Third-Party Sender Role & Responsibilities

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Section 2.16, Page OR36

- Origination agreement
- Provide information to ODFI
- Warranty & indemnity
- Perform as an ODFI
- Pay the ODFI
- Responsible for Originator

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Origination Agreement

Enter into an origination agreement with Originator or Nested TPS



TPS

Origination Agreement
2.2.2.1



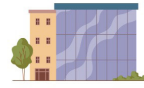
Originator

Originator agrees to abide by *ACH Rules* and law

Restrictions on type of entries originated

TPS right to terminate or suspend agreement with Originator

TPS right to audit Originator



TPS

Origination Agreement
2.2.2.2



Nested TPS

Nested TPS & its Originator agree to abide by *ACH Rules* & U.S. law

Restrictions on type of entries originated

TPS right to terminate or suspend agreement with Nested TPS or its Originator

TPS right to audit Nested TPS or its Originator



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Provide ODFI Information

Provide ODFI information about its clients, Originators & other TPSs (i.e., Nested TPSs) within 2 banking days, if requested

Principal city/state

Website address

Doing-business-as name

Contact person information

Taxpayer ID number

Approximate number of Originators


Street address

Type of entries originated




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Warranty & Indemnity



Warrant Originator & Nested TPS agreed to the ACH Rules

Indemnify ODFI from all claims, demands, losses, liabilities or expenses associated with Originator's or Nested TPS's failure to comply with the ACH Rules

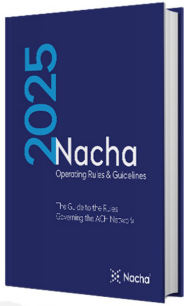


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Perform as an ODFI

Perform as an ODFI with respect to complying with the ACH Rules

- Ensure an Originator's & Nested TPS's compliance
- Perform risk management responsibilities
- Assess the nature of the Originator's or Nested TPS's ACH activity & the risk it presents
- Monitor origination & return activity
- Set & enforce exposure limits
- Enforce restrictions on types of entries originated



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Pay the ODFI

CREDIT ENTRIES INITIATED

DEBIT ENTRIES RETURNED

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Responsible for Originator

TPS liable for an Originator, whether a direct client or client through a Nested TPS, to retain & deliver copies of authorizations to the ODFI, if requested

ODFI

Third-Party Sender

Nested TPS

Originator

Originator

Authorizations

Copy of Authorization

Copy of Authorization

Copy of Authorization

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ACH Audit

Applies to Third-Party Senders & Nested Third-Party Senders



MUST CONDUCT AN ANNUAL AUDIT OF ITS COMPLIANCE



MUST COMPLETE BY DECEMBER 31 OF EACH YEAR

Subsection 2.16.4, page OR37, references Subsection 1.2.2, page OR1



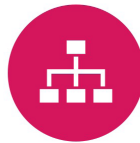
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Risk Assessment

Applies to Third-Party Senders & Nested Third-Party Senders



MUST CONDUCT AN ASSESSMENT OF THE RISKS OF ITS ACH ACTIVITY,



MUST IMPLEMENT A RISK MANAGEMENT PROGRAM BASED ON THE ASSESSMENT &



MUST COMPLY WITH THE REQUIREMENTS OF ITS REGULATORS







Subsection 2.16.4, page OR37, references Subsection 1.2.4, page OR2



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Thank You for Attending!

EPCOR is your best resource for:

Expertise—

Payments professionals are just a phone call away to help you resolve issues and understand the complex rules and regulations regarding all types of electronic payments.

Diverse Programs—

More than just the *ACH Rules*, you get a variety of programs on fraud, risk, audits and more to protect your organization against loss and penalty.

Keeping Pace with the Evolving Payment Landscape—

You have a voice in industry issues through EPCOR and you stay connected with industry initiatives that influence policy.

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CERTIFICATE OF COMPLETION

This certificate is awarded to:

on

In completion of:

**Will the Real Third-Party
Senders Please Stand Up?**

This course is worth 1.2 AAP/APRP
continuing education credits.



A handwritten signature in black ink, appearing to read "James Carrick".

James Carrick
Vice President, Education, EPCOR

