

Regions Bank TPS Warranties and Obligations

0:02

Welcome to the Regions Bank third party sender training.

0:06

My name is Carrie Sellen.

0:08

In this course, I will discuss the obligations and warranties of third party senders under the Nacho operating rules.

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A third party sender is an entity that has a contractual relationship with Regions Bank through an ACH origination agreement to transmit ACH files on behalf of its customers, the originators of the payments.

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In this scenario, the third party sender has the direct ACH origination agreement with the originator and not Regions Bank.

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A nested third party sender is a third party sender that does not have an ACH origination agreement with Regions Bank.

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The first third party sender has an ACH origination agreement with the second or nested third party sender, Regions Bank.

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As the ODFI does not support this type of arrangement, A third party sender processing through Regions Bank may not process for another third party sender.

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A third party sender acts as an intermediary between the originator and Regions Bank originating ACH entries on behalf of the originators.

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The illustration shows an ACH transaction flow in which the originator has used a third party sender.

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In this situation, Regions Bank and the actual originator of the transaction do not have an agreement with one another.

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The Not Your Operating Rules are the primary source of rules for the commercial ACH network.

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Commercial ACH entries originate from the private sector comprising of individuals, companies, state and local governments.

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The ACH rules define the obligations and liabilities of each financial institution participating in the ACH network and are based on state contract law.

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This means that the ACH process operates from beginning to end through a series of legal agreements between the participants.

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These agreements may include authorization or agreement between the receiver and originator.

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Authorizations are required for consumer debits.

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Agreements are generally in place for business to business payments.

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Origination agreement between the ODFI and originator or, if applicable, between a third party sender and its ODFI.

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Agreements, such as service agreements between the originator and a third party service provider or third party sender if these parties are involved in the ACH origination process.

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Other laws, regulations, and rules apply to ACH transactions, such as 31 CFR Part 210, which provides the regulatory foundation for the use of the procedures covered in the Green Book in the handling of Federal Government ACH Payments.

3:07

Federal Reserve Operating Circular 4 describes the responsibilities of the Federal Reserve as an ACH operator along with the responsibilities of financial institutions transmitting ACH files through the Federal Reserve.

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Uniform Commercial Code is a series of state laws that govern commercial transactions.

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Article 4 applies to represented check entries.

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Uniform Commercial Code Article 4A governs corporate credit or debit CCD and corporate trade exchange CTX credit entries.

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UCC 4A also addresses the use of commercially reasonable security procedures in the delivery of all ACH payment types from the originator or the third party sender to the ODFI.

4:00

Regulation D defines reserve requirements and identifies transaction and non transaction accounts.

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Regulation D applies to ACH processing for the return of entries destined to non transaction accounts.

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Regulation E carries out the purpose of the Electronic Funds Transfer Act, the EFTA, which establishes the basic rights, liabilities and responsibilities of consumers who use electronic fund transfer services.

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The primary objective is to protect individual consumers engaging in EFT services.

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Regulation CC requires funds related to cash, electronic payments, and certain check deposits be made available for withdrawal the business day after the banking day on which they were received, for example, available to withdraw the next business day.

4:57

Generally, the ACH rules require funds to be made available on the settlement date, which facilitates faster funds availability and is typically followed.

5:06

In most cases, if an RDFI suspects a credit payment is unauthorized, they think it's fraudulent, it may make the funds availability the next business day.

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In these cases, the RDFI must contact the ODFI and verify whether the funds were authorized.

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The Right to Financial Privacy Act applies to everything that goes on at a financial institution, including ACH processing.

5:36

The Office of Foreign Assets Control administers economic sanctions and embargo programs that require assets and transactions involve an interested of targeted countries, targeted country nationals, and other specifically identified companies and individuals to be frozen.

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OFAC has developed a list of specifically designated Nationals and Blocked Persons lists.

6:04

Third party senders are required by contract to comply with all legal requirements while processing ACH entries.

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Let's now talk about the obligations of third party senders.

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Examples of OD 5 functions identified within the rules as applicable to a third party sender include entering into an origination agreement with the minimum requirements.

6:34

Use a commercially reasonable method to verify the identity of each originator before entering into that agreement.

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Monitoring origination and return activity of its originators across multiple settlement dates.

6:50

Enforcing restrictions on the type of SEC codes used by originators.

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Setting and enforcing exposure limits on each originator, passing along proof of authorization request to the originator when received by Regions Bank from the RDFI.

7:09

Providing UCC for a notice to each originator.

7:13

Sending non consumer credit entries and ensuring rules compliance with each originator with regards to operational tasks such as pre notes, Nocs returns, return rates, etcetera.

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The third party center warrants to Regions Bank include the entry is properly authorized in accordance with the rules.

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The originator's authorization has not been revoked.

7:44

The origination agreements concerning the Entry have not been terminated.

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Neither the third party sender nor the originator has actual knowledge of the revocation of the receivers authorization or the termination of the agreement between the RDFI and the receiver concerning the Entry.

8:02

And this Section 2411-C shall not apply if the RDFI has actual knowledge of the circumstances giving rise to such termination at the time it processes the Entry, and the ODFI does not have such knowledge.

8:21

The third party sender warranties to Regions Bank also include the entry complies with the rules, including the proper SEC code.

8:29

The Entry is not transmitted on behalf of any originator that Regions Bank has been directed to suspend or that appears on a list of suspended originators issued by NACHA.

8:42

The entry contains the Receiver's correct account number and all other information necessary to enable the RDFI to comply with the requirements related to the RDFI's obligation to provide information to the Receiver about entries, and the credit entry is timely.

9:03

The third party sender also warrants to Regions Bank that the debit Entry is for an amount due and owing to the originator from the Receiver on the settlement date.

9:14

The debit entry is for a sum specified by the receiver to be paid to the originator.

9:20

The debit entry is to correct a previous credit entry that was an erroneous entry.

9:26

The debit entry is to reclaim from the RDFI the amount received by a recipient after death or legal incapacity of the recipient or the death of a beneficiary.

9:37

Banking information for the entry is transmitted in compliance with the requirements under Section 1.7, Secure transmission of ACH information via unsecured electronic networks.

9:56

Additional Third Party Center warranties to Regions Bank include the Originator has agreed to assume the responsibilities of an Originator under the notches of Rules.

10:08

The Third Party Center must indemnify Regions Bank for its originators and their failure to perform their obligations in accordance with the NACHA operating Rules.

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A Third Party Center agrees to make payment to Regions Bank for any credit entries it originates and for any debit entries returned by the RDFI.

10:30

An originator that utilizes a third party sender to authorize Regions Bank to transmit entries agrees to make payment to Regions Bank for any credit entries originated and for any debit entries returned by the RDFI.

10:44

To the extent that Regions Bank does not receive payment from the third party sender, and the third party sender warns that the originator will retain and provide records or documents of records as required by the Nacho Operating Rules, so the third party centers warranties and indemnifications.

11:07

So each third party sender that authorizes Regions Bank to transmit entries to a receiver's account warrants to Regions Bank that the originator has agreed to assume the responsibilities of an Originator as required in the Nacho Operating Rules.

11:23

In any case in which the originator fails to perform its obligations as an originator under the Rules, the third party sender indemnifies Regions Bank against any loss from such failure.

11:39

Notice by OD five or third party sender to originator for non consumer credit entries.

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This notice can be provided as part of the origination agreement or through a different notice.

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It must have the following information.

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UCC 4A allows a funds transfer system to select the state law for a particular jurisdiction.

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NACHA chose New York as the default state because of the robust history of case law in the state.

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However, it may be changed per agreement.

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The UCC 4A notice must contain the four statements.

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The entry may be transmitted through the ACH, the rights and obligations of the originator concerning the entry governed by the laws of New York or superseded by agreement.

12:32

Credit to the Receiver is provisional until final settlement, and the RDFI is entitled to a refund from the Receiver if no final settlement is received.

12:45

This concludes the third party Center obligations and warranties training.

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Thank you and have a great day.