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**MWI**  
**Electronic Payment**  
**Services**

**Financial Institution**

**User**

**Complementary**

**Controls**

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**Confidential Information**

Revised: October 2023

## User Complementary Controls



The following User Complementary Controls were developed in conjunction with Magic-Wrighter's established internal controls that are used in complying with NACHA and financial institution regulatory bodies' rules and regulations for the services it provides to financial institutions.

The ODFI should implement recommended User Complementary Controls in addition to established internal controls, to provide safe, sound, and secure ACH Origination services for internal use and ACH Origination services the ODFI may provide its customers.

### The User Complementary Controls

#### UCC- S1.2.1 – General Rules – Illegality

Subsections – 1.2.1

Control: Internal OFAC database is retrieved from government website and updates are applied to the internal OFAC database weekly.

Description: OFAC reporting is provided to MWI customers requesting OFAC services.

Background: ODFIs must comply with OFAC rules and regulations regarding entries. MWI OFAC service is an optional service and, when selected, new entry names are matched to the OFAC database. When the ODFI wants MWI to perform OFAC sanction validation services for its MWI ACH Direct services, the ODFI must opt-in to the service.

Requirements:

1. Subsection 1.2.1 – In accordance with commercial reasonable algorithm, when a match is detected, MWI will notify the ODFI and the ODFI is responsible for making the final decision to freeze funds or notify MWI that the OFAC notification was a 'false positive' match.

#### UCC- S1.2.2 – General Rules – Audits

Subsections – 1.2.2

Control: Annual NACHA Rules of Compliance self-audit is conducted by MWI.

Description: MWI conducts required annual NACHA self-audit and makes audit available to its ODFI customers.

Background: NACHA requires each ODFI and its third-party service provider to conduct annual NACHA Rules of Compliance self-audit. MWI completes its annual self-audit each year prior to the required December 31 deadline.

Requirements:

1. Subsection 1.2.2 – The ODFI is responsible for identifying an ODFI employee authorized to receive MWI's annual NACHA self-audit and is responsible for completing required forms to receive such audit.

## User Complementary Controls



### UCC- S1.2.4 – General Rules – Risk Assessments

Subsections – 1.2.4

Control: Annual Risk Assessment of ACH Activities.

Description: NACHA requires annual risk assessments and rule change review.

Background: NACHA requires ODFIs and third-party ACH service providers to conduct risk assessments to ensure compliance to current and new rules. MWI performs the required internal risk assessment and periodic reviews of NACHA rule changes to ensure provided services are in full compliance with NACHA Rules

Requirements:

1. Subsection 1.2.4 – The ODFI is responsible for conducting its required risk assessment on internal operations related to its ACH Origination service. To supplement its risk assessment, the ODFI may request a copy of MWI's internal risk assessment by identifying an ODFI employee authorized to receive risk assessment and is responsible for completing required forms to receive such assessment.

The ODFI is responsible for periodically reviewing NACHA Rule changes to ensure the ODFI's obligations and requirements pertaining to MWI provided services are in NACHA compliance.

### UCC- S1.4.1 – General Rules – Records

Subsections – 1.4.1

Control: Electronic Record Creation and Retention.

Description: MWI conducts annual required risk assessments and makes its assessment available to its ODFI customers.

Background: NACHA requires ODFIs to store ACH entries for six (6) years. MWI's ACH services will retain ACH entries processed by its production system to meet NACHA entry retention requirements.

Requirements:

1. Subsection 1.4.1 – The ODFI is responsible for replicating MWI transactional information, including reports, to meet the ODFI's internal data retention requirements and to assure all required transaction information has been downloaded to internal data retention systems at contract termination.

## User Complementary Controls



### UCC- S1.4.2 – General Rules – Record Reproduction (continued)

Subsections – 1.4.2

Control: Electronic Record Reproduction.

Description: Review of payment reports for randomly selected processing dates.

Background: NACHA requires the ODFI to store ACH entries for six (6) years. MWI's ACH services will retain ACH entries processed by its production system to meet NACHA entry retention requirements. Authorized ODFI representatives may access the online FI Administration portal and retrieve transaction reports for the previous two (2) years as a part of MWI's services. Reports older than two (2) years are available to the FI upon requesting a report archive reload.

Requirements:

1. Subsection 1.4.2 – The ODFI is responsible for ensuring that at least one (1) employee authorized to access MWI's FI Administration portal can retrieve transaction/entry reports and reproduce reports to paper or in electronic form.

### UCC- S1.4.3 – General Rules – Record Written Authorization

Subsections – 1.4.3

Control: Written Authorization.

Description: Review of payment reports for randomly selected processing dates.

Background: NACHA rules require originators to receive written authorization from consumers and corporate account holders for specified NACHA entries (i.e. direct deposit, bill payment, and other MWI non-eCommerce services).

Requirements:

1. Subsection 1.4.3 – ODFI is responsible for ensuring originators are obtaining written authorizations and can reproduce the authorization according to NACHA record retention requirements.

### UCC- S1.4.4 – General Rules – Electronic Signatures

Subsections – 1.4.4

Control: Customer identification.

Description: Periodic customer identification file updates.

Background: NACHA requires identification of customers using Web-Hosted eCommerce services. Identification is appropriate to entry type. (i.e. ODFI and ODFI origination customers receiving payments for their customers identified on an internal accounting or billing system should provide MWI periodic files containing sufficient data, allowing MWI's eCommerce services to identify the eCommerce user.

### UCC- S1.4.4 – General Rules – Electronic Signatures (continued)

#### Requirements:

1. Subsection 1.4.3 – The ODFI is responsible for ensuring it or its originators retain existing customer information on internal customer accounting or billing files provides required customer identifying information to the MWI Web-hosted eCommerce service and is updated on an appropriate frequency.

### UCC- S1.5.1 – General Rules – Security Requirements

#### Subsections – 1.5.1

Control: Employee access to confidential data is restricted on a need-to-know basis.

Description: Periodic review of employee access to ACH Origination confidential information.

Background: NACHA Rules require that confidential information policies are established. Employees are granted access to systems and data on a need-to-know basis.

#### Requirements:

1. Subsection 1.5.1 – The ODFI is responsible for ensuring only authorized individuals have access to MWI Administration portal(s) and individuals have a need-to-know when accessing transactions and reports generated by MWI's ACH services. ODFI must ensure access rights to MWI Administration portal(s) are removed for terminated employees.

### UCC-S2.2.2.1 – Rights & Responsibilities of ODFI's and Third-Party Senders – Originator Agreement

#### Subsection – 2.2.2.1

Control: Origination agreements are executed prior to use of ACH services.

Description: Ensure FI management has fully executed ACH Originator agreement with vetted originators prior to accepting entries.

Background: NACHA Rules in Article Two, Subsection 2.2.2, ODFI Agreement with Originators states an ODFI must establish an ACH origination agreement with each originator. The financial institution should review changes to the NACHA rules throughout the year and update the institution's service agreement accordingly.

Existing agreements should contain language that requires the financial institution's business customer to abide by evolving rule and regulatory changes. The financial institution should perform an annual review of its contract as part of its compliance oversight that determines the effectiveness of the service contract.

### UCC-S2.2.2.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Originator Agreement (continued)

#### Requirements:

Subsection 2.2.2.1 – The ODFI is responsible for ensuring agreements meet all requirements of Subsection 2.2.2.1

#### Summary

- Originators authorization for ODFI to originate entries
- Originators agree to be bound by agreement
- Originators agree not to originate entries that violate US laws
- Originators agree to entry type restrictions
- The right of the ODFI to terminate the agreement
- The right to audit the originator

### UCC-S2.3.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Authorization and Notices of Entries

Subsection – 2.3.2.1 - 2.3.2.2 - 2.3.2.4 - 2.3.2.5 - 2.3.2.6 - 2.3.2.7 - 2.3.2.8

Control: Receiver authorization is obtained prior to entries and maintained according to NACHA Rules.

Description: The ODFI and its Originators are responsible for obtaining consumer authorization prior to entry processing.

Background: NACHA Rules require originators of credit and debit entries to obtain written or oral authorization (according to entry type and entry classification) prior to entry processing. In addition, authorization must be retained according to the NACHA authorization retention rules. The ODFI should read subsection 2.3.2 in its entirety to ensure a full understanding of the NACHA Rules.

#### Requirements:

Subsection 2.3.2.1 – The ODFI is responsible for ensuring its originators are obtaining consumer written authorization for credit entries.

Subsection 2.3.2.2 - The ODFI is responsible for ensuring its originators are obtaining consumer written authorization for debit entries.

Subsection 2.3.2.4 - The ODFI is responsible for ensuring its originators are obtaining consumer oral authorization when processing TEL entries.

Subsection 2.3.2.5 - The ODFI is responsible for ensuring its originators are obtaining consumer authorization when processing “Standing” authorizations.

### **UCC-S2.3.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Authorization and Notices of Entries (continued)**

Subsection 2.3.2.6 - The ODFI is responsible for ensuring its originators are storing copies of receiver authorizations.

Subsection 2.3.2.7 - The ODFI is responsible for ensuring its originators are retaining consumer authorizations to adhere to NACHA record of authorization provisions.

Subsection 2.3.2.8 - The ODFI is responsible for ensuring its originators are following requirements of notices of variable recurring debit entries.

### **UCC-S2.4.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders - General Warranties & Liabilities**

Subsection – 2.4.1.1

Control: Entries are properly authorized.

Description: Consumer authorization must be properly maintained by Originators.

Background: NACHA Rules in Article Two, Subsection 2.4, General warranties and liabilities of ODFI’s state an ODFI Transmitting an Entry warrants the following to each RDFI and ACH Operator in connection with such Entry, including Subsection 2.4.1.1 (a) the entry is authorized by the originator and receiver; (b) Originator authorization has not been revoked.

The ODFI is required to perform verification of required consumer authorized agreements for the following services provided by MWI:

- ACH Direct
- Administration Portal
- Third-Party

Requirements: ODFI should obtain consumer authorization evidence from its originators periodically to confirm documents are obtained and meet retention requirements. In addition, ODFI should periodically verify that revocation of consumer authorizations is performed in a timely manner, and entries are not continued after Receiver’s revocation.

### **UCC-S2.4.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders - General Warranties & Liabilities**

Subsection – 2.4.1.3

Control: Entries are not transmitted on behalf of suspended originator or Third-Party Sender.

### **UCC-S2.4.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders - General Warranties & Liabilities** (continued)

Description: ODFI is required to notify MWI Customer Relations in a timely manner of any Originator that has been suspended by the National Association and the financial institution has determined termination of the Originator’s services are required.

Background: The Entry is not Transmitted on behalf of any Originator or Third-Party Sender that the ODFI has been directed to suspend or that appears on a list of suspended Originators and Third-Party Senders issued by the National Association from time to time, in each case in accordance with Appendix Nine, Subpart 9.4.7.6 (Suspension and Appeal).

Requirements: ODFI should periodically review the National Association of suspended Originators and determine if services provided to a suspended Originator should be terminated. When Originator termination is required the FI is responsible for providing written authorization to terminate Originator services. The FI is responsible for notifying its Originators of such termination.

### **UCC-S2.4.4 – Rights & Responsibilities of ODFI’s and Third-Party Senders - General Warranties & Liabilities**

Control: ODFI warrants entries

Description: Review of batches submitted by FI’s originators.

Background: ODFI may request MWI to transmit ACH entries directly to the FRB. When this service is requested the ODFI is responsible for ensuring entries processed by MWI were authorized.

Requirements: ODFI should review all entries generated by MWI on behalf of the FI’s originators to ensure entries are appropriate. When unauthorized entries are discovered, the FI must contact MWI in a timely manner to prevent the transmission of entries. When processing schedules have passed, the FI must request MWI generate reversing entries as appropriate.

### **UCC-S2.5.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of ARC Entries**

Subsections – 2.5.1.1 – 2.5.1.4

Control: ARC Origination Oversight

Description: Review ARC originators for NACHA compliance.

Background: An ARC Entry is a Single-Entry debit originated based on an Eligible Source Document provided to an Originator by a Receiver. ODFIs offering check conversion services for ACH ARC entries are responsible for completing periodic reviews of their Originators to ensure requirements are met.



## User Complementary Controls



### **UCC-S2.5.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of ARC Entries (continued)**

#### Requirements:

1. Subsection 2.5.1.1 - Checks were received via US mail or delivery services, drop box location, or in person at a manned location.
2. Subsection 2.5.1.2 - Originator satisfied the eligibility requirements for authorization (i.e. When you provide a check as payment, you authorize us to either use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.)
3. Subsection 2.5.1.3 - Originator must use a source document containing routing number, account number, check serial number, and dollar amount for an ARC entry.
4. Subsection 2.5.1.4 - Originator uses a reading device to capture source document information (MICR line) or is manually keying information when error conditions exist.

### **UCC-S2.5.2 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of BOC Entries**

Subsections – 2.5.2.1 – 2.5.2.4

Control: BOC Origination Oversight

Description: Review BOC originators for NACHA compliance.

Background: A BOC Entry is a Single-Entry debit originated based on an Eligible Source Document provided to an Originator by a Receiver. ODFIs offering check conversion services for BOC entries are responsible for completing periodic reviews of their Originators to ensure requirements are met.

#### Requirements:

1. Subsection 2.5.2.1 - Checks were received at a point of purchase or in person at a manned location.
2. Subsection 2.5.2.2 – Originators must ensure the originator posts a conspicuous notice to the receiver that includes the following language, “When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.”
3. Subsection 2.5.2.3 - Originator must use a source document containing routing number, account number, check serial number, and dollar amount for a BOC entry.
4. Subsection 2.5.2.4 - Originator uses a reading device to capture source document information (MICR line) or is manually keying information when error conditions exist.

### **UCC-S2.5.3 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of CCD Entries**

Control: CCD Entry Classifications are used for corporate entries.

Description: Review ACH Direct customers and administration portal users.

## User Complementary Controls



### **UCC-S2.5.3 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of CCD Entries** (continued)

Background: A CCD Entry must be used when crediting and debiting a corporate account. FI originators are required to identify corporate accounts to assign proper entry class codes.

Requirements: The FI is responsible for ensuring originators using MWI’s ACH Direct service are using entry classification codes according to corporate entry classification rules. FI should periodically review batches processed for originators to ensure entries align with corporate entry classification codes. In addition, the FI is responsible for ensuring health care EFT transactions include at least one addenda record.

### **UCC-S2.5.10 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of POP Entries**

Subsections – 2.5.10.1 – 2.5.10.5

Control: POP Origination Oversight

Description: Review POP originators for NACHA compliance.

Background: A POP Entry is a Single-Entry debit originated based on an Eligible Source Document provided to an Originator by a Receiver. ODFIs offering check conversion services for POP entries are responsible for completing periodic reviews of their Originators to ensure requirements are met.

Requirements:

1. Subsection 2.5.10.1 - Checks were received at a point of purchase or in person at a manned location.
2. Subsection 2.5.10.2 – Originators must ensure the originator posts a conspicuous notice to the receiver that includes the following language, “When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.”
3. Subsection 2.5.10.3 - Originator must use a source document containing routing number, account number, check serial number, and dollar amount for a POP entry.
4. Subsection 2.5.10.4 - Originator uses a reading device to capture source document information (MICR line) or is manually keying information when error conditions exist.
5. Subsection 2.5.10.5 – Originator must provide the received a receipt containing originator name, company ID, date, amount, serial number, merchant ID, terminal city, and state.

### **UCC-S2.5.12 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of PPD Entries**

Control: PPD Entry Classifications are used for consumer entries.

Description: Review ACH Direct customers and administration portal users.

## User Complementary Controls



### **UCC-S2.5.12 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of PPD Entries** (continued)

Background: A PPD Entry must be used when crediting and debiting a consumer account. FI originators are required to identify consumer accounts to assign proper entry class codes.

Requirements: The FI is responsible for ensuring originators using MWI’s ACH Direct service are using entry classification codes according to consumer entry classification rules. FI should periodically review batches processed for originators to ensure entries align with consumer entry classification codes.

### **UCC-S2.5.13 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of RCK Entries**

Subsections – 2.5.13.1 – 2.5.13.6

Control: RCK Entry are used for represented checks.

Description: Review ACH Direct customers

Background: RCK Entries are used to collect returned checks for insufficient or uncollectible funds. ODFI must perform or ensure that its originators or third-party senders abide by the RCK requirements.

Requirements:

1. Subsection 2.5.13.1 – Only checks returned for insufficient or uncollected funds may have RCK entries.
2. Subsection 2.5.13.2 – Originators must ensure the originator posts a conspicuous notice to the receiver that includes stating terms of RCK entries.
3. Subsection 2.5.13.3 – RCK meets UCC requirements, check is a negotiable demand draft, contains pre-printed serial number, is less than \$2500, less than 180 days old, and is drawn on a consumer account.
4. Subsection 2.5.13.4 – RCK entries may not be generated for non-cash items, US treasury drafts, local government drafts, money orders, items payable to a person other than originator, and drafts do not contain a signature.
5. Subsection 2.5.13.5 – Originators retain copy of front and back of check for seven years.
6. Subsection 2.5.13.6 – ODFI must obtain the originators RCK agreement.

### **UCC-S2.5.15 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of TEL Entries**

Subsections – 2.5.15.1 – 2.5.15.5

Control: TEL Entry Classifications are used for consumer entries.

Description: Review ACH Direct customers and originator administration portal.

## User Complementary Controls



### **UCC-S2.5.15 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of TEL Entries (continued)**

Background: TEL Entries must be used when debiting a consumer account and oral authorization is provided to the originator by a consumer via the telephone.

Requirements: The FI is responsible for ensuring originators using MWI’s ACH Direct service are using entry classification codes according to consumer entry classification rules. FI should periodically review batches processed for originators to ensure entries align with consumer entry classification codes.

Requirements:

1. Subsection 2.5.15.1 – TEL entries originated via a telephone call and only with an existing relationship between the Originator and Receiver.
2. Subsection 2.5.15.2 – Subsequent entries must be identified to Receivers.
3. Subsection 2.5.15.3 – Oral authorizations must be obtained, and Receivers must provide normal business hours telephone number for inquiries.
4. Subsection 2.5.15.4 – An Originator must establish and implement commercially reasonable procedures to verify the identity of the Receiver.
5. Subsection 2.5.15.5 – An Originator must establish and implement commercially reasonable procedure to verify that the routing number used in the TEL Entry is valid.

### **UCC-S2.5.17 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Provisions for Specific Type of WEB Entries**

Subsections – 2.5.17.1 – 2.5.17.6

Control: WEB Entry Classifications are used for consumer entries.

Description: Review ACH Direct customers

Background: WEB Entries must be used when debiting a consumer account, and authorization is provided to the originator by a consumer via the internet.

Requirements: The FI is responsible for ensuring originators using MWI’s ACH Direct service are using entry classification codes according to WEB entry classification rules. FI should periodically review batches processed for originators to ensure entries align with WEB entry classification codes including:

1. Subsection 2.5.17.1 – WEB entries originated via internet and electronically entered by consumer.
2. Subsection 2.5.17.2 – Subsequent debit entries are communicated to Receivers.
3. Subsection 2.5.17.3 – Originators must conduct annual audits.
4. Subsection 2.5.17.4 – An Originator of a debit WEB entry must establish and implement a commercially reasonable transaction detection system to screen the debit WEB entry. When the FI is using the MWI Web Hosted loan payment service in conjunction with MWI’s third-party account validation service, the FI is responsible for determining when no data is available to verify an account, if the transaction should be rejected or reversed.
5. Subsection 2.5.17.5 – An Originator must establish and implement commercially reasonable procedures to verify that the routing number used in the WEB Entry is valid.
6. Subsection 2.5.17.6 – An Originator of a debit WEB entry must establish and implement commercially reasonable procedures to verify that the routing number used in the debit WEB entry is valid.

## User Complementary Controls



### UCC-S2.6.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Prenotifications

Subsections – 2.6.1 – 2.6.2

Control: Prenotifications to receiver accounts prior to credit and debit entries are followed.

Description: Review ACH Direct customers

Background: Originators may generate prenotification on receiver account to validate account prior to the submission of a monetary credit or debit. This practice will reduce the number of returned monetary transactions due to invalid routing and/or account numbers. Account prenotification is optional, but when prenotifications are established, originators must follow prenotification rules.

Requirements: The FI is responsible for ensuring originators using MWI’s ACH Direct service are properly following prenotification rules. FI should periodically review prenotifications to ensure batches processed for originators follow NOC requirements and that monetary transactions are not submitted until the third banking day has passed after prenotification entry was transmitted.

### UCC-S2.8.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Reversing Files

Subsections – 2.8.1 – 2.8.3

Control: Reversal of transmitted files.

Description: Review ACH Direct customers

Background: Originators may inadvertently transmit an unauthorized file. When this occurs, the originators must contact the ODFI and request a file reversal. The ODFI must contact MWI support services to request file reversal according to the requirements.

Requirements:

1. Subsection 2.8.1 – Only authorized file reversal ODFI staff are permitted to request file reversals. File reversal request must be submitted to MWI support service in writing.
2. Subsection 2.8.2 – ODFI may request MWI reverse duplicate files. It is the Originator’s responsibility to generate correcting file.
3. Subsection 2.8.3 – ODFI must contact MWI support service for reversal of duplicate files, or Originator can submit correcting file within five banking days, but within 24 hours of discovery.

## User Complementary Controls



### **UCC-S2.9.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Reversing Entries**

Subsections – 2.9.1 – 2.9.2

**Control:** Reversal of transmitted entries.

**Description:** Review ACH Direct customers

**Background:** Originators may inadvertently transmit an unauthorized entry. When this occurs, the originator must follow the NACHA entries reversing rules.

**Requirements:**

1. **Subsection 2.9.1** – The ODFI must make a reasonable attempt to notify the RDFI of reversing entry and ensure reversing entries do not contain an effective entry date earlier than the related credit entry.
2. **Subsection 2.9.2** – The ODFI is responsible for ensuring Originators insert the word ‘REVERSAL’ in the batch header, and all following fields must remain unchanged.

### **UCC-S2.11.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Notification of Change**

Subsections – 2.11.1 – 2.11.2

**Control:** Notification is sent to customers when NOCs are received.

**Description:** ODFI not selecting MWI’s ecommerce customer notification service is required to notify its customers when NOCs are received in a timely manner.

**Background:** RDFIs may notify ODFIs when edits are required to an entry’s routing and/or account number via a NACHA NOC. Originators are required to correct records in a timely fashion so that future entries contain the correct routing and/or account number.

**Requirements:**

1. **Subsection 2.11.1** – The ODFI must provide the Originator with correcting information within two (2) business banking days and ensure Originators make correcting entries to the Originators records within six (6) business banking days. (i.e. – payroll and/or billing records)
2. **Subsection 2.11.2** – The ODFI is responsible for contesting all received NOC entries.

### **UCC-S2.12.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Return Entries**

Subsections – 2.12.1 & 2.12.4 – 2.12.6

**Control:** Returned entries are reported to Originator.

**Description:** ODFI not selecting MWI’s ecommerce customer notification service, ACH Direct service, or integrated partner services is required to notify its customers when returned entries are received in a timely manner.

### **UCC-S2.12.1 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Return Entries** (continued)

Background: RDFIs may return entries according to NACHA Rules and the ODFI is responsible for notifying Originators of returned entry and reject codes.

Requirements:

1. Subsection 2.12.1 – The ODFI is responsible for notifying Originator of returned entry and reject codes.
2. Subsection 2.12.4 – The ODFI or its Originator is responsible for re-initiation of returned entries, including required reinitiated entry formatting.
3. Subsection 2.12.5 – The ODFI or its Originator is responsible for the correction of all entries returned as R11 (Customer Advises Entry Not In Accordance with the Terms of the Authorization).
4. Subsection 2.12.6 – The ODFI is responsible for the dishonoring of returned entries.

### **UCC-S2.17.2 – Rights & Responsibilities of ODFI’s and Third-Party Senders – Return Rate Reporting** Subsections – 2.17.2

Control: Monthly risk reports are generated according to NACHA unauthorized return payment statistics in accordance with 2.17.2.1 – (d (i)) calculations.

Description: MWI produces month-end risk reports containing return rates for Originators generating debit entries according to the NACHA Rules, (Subsection 2.17.2.4)

Background: An ODFI that has one or more Direct Access Debit Participant must register each relationship with the National Association. ODFIs that have Originators of debit entries are to report daily volumes and entry returned volumes that exceed return entry limits set by NACHA.

Requirements:

- Subsection 2.17.2 – The ODFI is responsible for reviewing Originator’s month end risk report to determine which, if any, Originator must be reported to NACHA according to rules set forth in Subsection 2.17.

### **UCC-OG-C5 – ODFI Relationship with Originators, Third-Party Senders or Sending Points – Corporate Entries**

Control: Originators are responsible for adhering to UCC Article 4A requirements when originating CCD entries.

Description: Corporate accounts are subject to the Uniform Commercial Code Article 4A.

Background: In addition to NACHA Rules, ODFI and their originators are responsible for adhering to the UCC Article 4A rules.

Requirements:

- CCD Entries – The ODFI is responsible for ensuring the CCD entries processed by its originators meets UCC Article 4A regulatory compliance.

## User Complementary Controls



### **UCC-OG-C5 – ODFI Relationship with Originators, Third-Party Senders or Sending Points – Best Practices and Training**

Control: Originators are responsible for educating originators on NACHA rule compliance, UCC Article 4A, and other regulatory compliance required in the processing of NACHA entries, as well as providing Best Practices guidelines in its originator training program.

Description: Corporate accounts are subject to the Uniform Commercial Code Article 4A.

Background: Operating Rules Chapter 5 sets forth ODFI requirements in its relationship and responsibilities of originators in the use of its ACH origination services.

Requirements:

Best Practices and Training – The ODFI is responsible for ensuring its originators have guidance in ACH origination Best Practices while using ACH origination services and for providing adequate training in the originator’s roles and responsibilities when originating entries.

### **UCC-OG-C7 – ODFI Relationship with Originators, Third-Party Senders or Sending Points – Exposure Limits**

Control: Entry and File limits are established

Description: The ODFI originator should establish limits for accepting entries from originator to mitigate risk exposure.

Background: MWI services provides the ODFI with entry risk limit monitoring. Entry risk limits, such as per entry, per file transmission, per day, per month, etc., based on MWI service(s) that are selected by the ODFI, can be established to warn when established risk limits are exceeded or to block acceptance of an entry.

Requirements:

Risk Exposure Limits – The ODFI is responsible for establishing available MWI services risk limits according to each originator and monitoring generated risk reports.

### **Change Control:**

- 12-2021 - Complementary controls were converted to a stand-alone document that has been reformatted to adhere to audit reporting standards.
- 12-2022 - MWI Web hosted loan payment account validation FI responsibility added. (UCC-S2.5.17)
- 10-2023 - Annual review; no changes made. (AC, BOD)