

Treasury Management

Quarterly Newsletter



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Fraud is on the rise at a rate you can't afford to not use all resources available. Smart POSITIVE PAY will help YOU identify and stop fraud in its tracks.

Partner with Legence Bank to help protect your business from fraud with Smart POSITIVE PAY!!!

Get ahead of fraud with Smart POSITIVE PAY! This amazing service allows you to easily and quickly verify checks that have cleared your account with Legence Bank, ensuring they are checks you have written.

FEATURES OF SMART POSITIVE PAY

- Accessible within Smart Cash Management
- Easily configure and upload check files from your current accounting/check printing software
- Receive notifications if checks don't match checks you have written
- Quick and simple notifications to Legence Bank to return items that you didn't write
- Easily identify and mark any checks that were valid written checks, but did not process properly

Upcoming Holidays

Columbus Day

All locations will be closed
Monday, October 10 in observance.

Veterans Day

All locations will be closed
Friday, November 11 in observance.

Thanksgiving Day

All locations will be closed
Thursday, November 24 in observance.

Christmas Day

All locations will be closed
Monday, December 26 in observance.

ACH Batch Verification

As you prepare your ACH batch verification, the email address and information will remain the same, but we ask you to please add the following:

- Number of entries in the batch.

REMINDER: the following information is needed when you send the ACH batch verification to operations@legencebank.com:

- o Subject Line – ACH Batch Verification
- o Company Name
- o Batch Name
- o Total Batch Dollar Amount
- o Number of Entries in Batch
- o Batch Effective Date

If you have any questions, please contact our Treasury Management team and we will be glad to assist.

New Third-Party Sender ACH Rule: Time to Get Your Ducks in a Row

by Emily Nelson

AAP, NCP, Manager, Advisory Services, EPCOR

As the second quarter of 2022 kicks off, it is time to review plans to ensure upcoming requirements are being met. If you are a Third-Party Sender (TPS), then your plans should include preparation for Nacha's new TPS Rule. Effective September 30, 2022, TPS roles and responsibilities under the ACH Rules will be updated. The purpose of the amendments made, is to clarify existing practices surrounding Nested TPS relationships and make explicit the requirement for a TPS to conduct a risk assessment Supplement #3 2021 does indicate that there will be a six-month grace period for certain aspects of each of the rules, but why wait? Let's highlight the areas to focus on and address now.

As a TPS, it will be necessary for you to identify any Nested TPS relationships for which you process ACH transactions. You will need to determine if the client you are processing for is processing on its own behalf, or on behalf of others whom the TPS has sold their services. If your client is processing on behalf of their clients, your client could qualify as a Nested TPS. You, the TPS with the direct relationship with the Originating Depository Financial Institution (ODFI), will want to ensure that you have

an origination agreement in place with each Nested TPS and your Nested TPS has an agreement with their client. This reflects the requirements of Subsection 2.2.2.2,

ODFI Must Enter Origination Agreement with Third-Party Sender and is an example of the "push down" effect for the chain of required agreements. As a best practice, it is recommended that these agreements are reviewed by your legal counsel.

If you identify Nested TPSs, it will be imperative that you make your ODFI aware immediately. Your ODFI will need to know how many Nested TPS relationships you are processing and will also need you to provide additional details regarding the Nested TPS's business information so updates can be made to Nacha's Risk Management Portal for TPSs. In addition, any time you are made aware of staffing changes within your organization or your Nested Third-Party's organization, you will need to provide the updated contact information to your ODFI in a timely manner so that your ODFI is able to update the registration information with Nacha within 45 days of the change, as prescribed in Subsection 2.17.3.1, ODFIs with Third-Party Senders.

The updated application of the ACH Rules further dictates that Nested TPSs have an audit conducted annually, both TPSs and Nested TPSs have a risk assessment conducted and due diligence be conducted by the TPSs on their Nested TPSs. Also, Nested TPSs must conduct due diligence on their clients. Additionally, all new ACH Rules will apply to TPSs and Nested TPSs. Annual ACH Rules Compliance Audits and periodic ACH Risk Assessments will need to be conducted by TPSs. TPSs will also need to ensure their Nested TPSs are aware of their audit and risk assessments obligations, as stated in Supplement #3-2021.

The ACH origination agreement between the TPS and the Nested TPS needs to address these obligations to protect both parties. As a TPS, you would want to ensure that your Nested TPS was able to attest to these items prior to transmitting any Entries.

These updates will largely impact TPSs and Nested TPSs but how these updates are handled by TPSs, in conjunction with their ODFI, will reflect in their successful transition for compliance.

If you have any questions, reach out to your financial institution.

Best Practices When Submitting a Remote Deposit or ACH:

Remote Deposits (SRD):

1. Processing happens every 30 minutes beginning at 8AM until 4PM on business days when the bank is open.
2. Please verify when submitting a deposit that the legal line matches the number box. We MUST go by the legal line amounts.
3. Checks need to be written to the correct business name or the business needs proper documentation submitted to the bank for checks to be accepted.

Automated Clearing House (ACH):

1. Consumer DEBIT transactions need to be submitted no later than 2 PM 1 business day prior to effective entry date.
2. Consumer CREDIT transactions need to be submitted no later than 11 AM 2 business day prior to effective entry date.
3. ACH's can be made many days in advance and will be sent to the bank up to 3 business days early making sure nothing is forgotten about.
4. You can set up a recurring ACH for items that stay the same every week / month.

There are so many options to help each specific company, so please contact the Treasury Management Department with any questions!

2022 ACH Rules Update for Corporate Originators

As an Originator of ACH entries, it is important to stay current with the ACH Rules, including how updates and changes might impact your business. Supplementing Data Security requirements and Micro-Entries are just a few of the changes on tap for 2022 and beyond. Get up-to-speed on these revisions and how they will affect your organization by downloading the 2022 ACH Rules Update for Corporate Originators. If you have any questions about how these changes may pertain to your existing Origination activities, please contact us.

There are several changes to the ACH Rules which take effect in 2022. Here is a breakdown of the changes that apply to corporate users.

Increasing the Same Day ACH Dollar Limit to \$1 Million

Effective March 18, 2022

This Rule change increased the per-transaction dollar limit for Same Day ACH credits and debits from \$100,000 to \$1,000,000. With this increase, the percentage of ACH payments eligible for Same Day ACH more than doubled. Additionally, 3.5% of business-to-business payments became eligible for Same Day ACH. The increase also enabled large-dollar business-to-consumer transactions.

Corporate ACH Originators and Third-Party Senders: If your company is currently originating Same Day ACH payments, contact your financial institution to discuss your per transaction dollar limits. If your organization has questions about using Same Day ACH, contact your financial institution to determine if it is appropriate for your business.

Corporate ACH Receivers: Businesses should be prepared to potentially receive Same Day ACH debits and credits up to the new \$1,000,000 limit to their accounts throughout the business day. In addition to examining accounts closely, businesses should review their internal cash management procedures to determine whether any changes are required.

Supplementing Data Security Requirements (Phase 2)

Effective June 30, 2022 (2 million or more ACH transactions)

The Supplementing Data Security Requirements Rule expands the existing ACH Security Framework to explicitly require large Originators, Third-Party Service Providers (TPSPs) and Third-Party Senders (TPSs) to protect account numbers used in the initiation of ACH entries by rendering them unreadable when stored electronically. This Rule aligns with existing PCI requirements; thus, industry participants are expected to be reasonably familiar with the manner and intent of the requirement.

This Rule applies only to account numbers collected for, or used in, ACH transactions and does not apply to the storage of paper authorizations. However, if paper authorizations are scanned and archived electronically then this Rule does apply.

Implementation of this Rule began on June 30, 2021, for the largest Originators, TPSPs and TPSs with ACH volume of six million transactions or greater annually. This second phase of the Rule applies to those with ACH volume of two million transactions or greater annually and is effective June 30, 2022.

Any non-financial institution Originator whose total ACH origination volume exceeds 2 million entries in calendar year 2020 or 2021 will be required to comply with this rule no later than June 30, 2022. Any TPS or TPSP whose total transmission volume (that is, the aggregate volume transmitted on behalf of ALL of its clients) exceeds 2 million entries in calendar year 2020 or 2021 must comply with this rule no later than June 30, 2022.

Corporate ACH Originators, TPSPs and TPSs: If your ACH transaction volume exceeds the threshold of two million transactions, ensure you are adequately protecting account numbers and any information you collect electronically. Account numbers must be rendered unreadable when collected and stored electronically, also known as data at rest. If your ACH volume is less than two million transactions annually, you may still consider using this practice of securely storing account numbers electronically as a sound business practice.

Micro-Entries

Phase 1 – Effective September 16, 2022

Phase 2 – Effective March 17, 2023

This Rule will define and standardize practices and formatting of Micro-Entries, which are used as a method of account validation.

This Rule is effective in two phases:

September 16, 2022 – Phase 1

“Micro-Entries” will be defined as ACH credits of less than \$1 and any offsetting ACH debits used for the purpose of verifying a client or consumer’s account. Businesses initiating Micro-Entries will be required to include ‘ACCTVERIFY’ in the Company Entry Description and use a Company Name that is known to the recipient. Consumers should not be negatively impacted by the processing of the Micro-Entries to their account, meaning the outcome of the transactions should be greater than or equal to zero.

March 17, 2023 – Phase 2

Businesses originating Micro-Entries will be required to use commercially reasonable fraud detection, including the monitoring of Micro-Entry forward and return volumes.

For additional information, download Nacha’s [end-user briefing PDF](#) or visit the [Micro-Entries Rule page](#).

Corporate ACH Originators: In preparation for Phase 1, businesses using Micro-Entries for account validation will have to adopt the formatting convention of ‘ACCTVERIFY’ in the Company Entry Description and comply with the Company Name requirement. Additionally, corresponding debit Micro-Entries must be sent simultaneously with the credit Micro-Entry, and businesses must wait to originate future Entries until the verification process is complete. For Phase 2, businesses should be prepared to conduct commercially reasonable fraud detection for Micro-Entries. This includes monitoring forward and return volumes of Micro-Entries and other desired velocity checks or anomaly detection.

Third-Party Sender Roles and Responsibilities

Effective September 30, 2022

This Rule is to clarify the roles and responsibilities of Third-Party Senders (TPSs) by addressing the existing practice of Nested TPS relationships and making explicit and clarifying the requirement that a TPS conduct a risk assessment. Specifically, the Rule will:

- Define a Nested TPS as a TPS that has an agreement with another TPS to act on behalf of an Originator and does not have a direct agreement with an ODFI for the purpose of originating ACH payments.
- Require that Nested TPSs be addressed in ACH Origination agreements between a TPS and its financial institution. Additionally, a TPS must have an Origination Agreement with its Nested TPS(s). These modifications will be required only for agreements entered or renewed on or after the effective date of the Rule, September 30, 2022.
- Update other TPS obligations, including conducting a risk assessment, and warranties to identify and cover Nested TPSs.

Corporate ACH Originators: This Rule will not impact traditional ACH Originators. Only ACH Originators denoted as TPSs will be impacted.

Third-Party Senders: TPSs with Nested TPS clients may need to modify their Origination Agreements to address these relationships on a go-forward basis after September 30, 2022.

Source: Nacha

THANK YOU *for allowing
our team to serve* **YOU!**

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