Handout J Answers

ACH Risk Exercise

- Credit (Exposure)
- Operating
- Fraud
- Systemic

Identify which type(s) of risk is involved in the following situations. Reference: ACH Risk Management Handbook

1. When an originator's payroll was delivered to the ODFI for transmission, the ODFI employee accidentally deleted the file.

   Operating Risk

2. An originator sent six CCD+ payments to suppliers with a file value of $557,000. The company's availability on their $3 million line of credit is $300,000. Their payments on the line of credit have been received 10-15 days late six of the past eight months.

   Credit (Exposure) Risk

3. An ODFI employee adds a payment to her own checking account to a company payroll she is transmitting.

   Fraud Risk

4. The computer used to transmit origination files crashes due to memory limitations and the employee in charge of the transmission doesn't notice that the batch wasn't completed.

   Operating Risk

5. An ODFI transmitted tax payments for a company on Thursday. The sales officer at the ODFI learned the next morning that the company filed for bankruptcy.

   Credit (Exposure) Risk

6. Both employees responsible for ACH exception processing called in sick on the same day. The task is not completed that day as a result.

   Operating Risk

7. Your financial institution does not balance its Federal Reserve account.

   Operating Risk

8. A new rule reduced the time to send corrected returns and your financial institution is unaware of the rule change.

   Operating Risk

9. A foreign bank, with offices in the US, closes down all operations due to economic hardship in the country of their headquarters. Even US offices suspend operations, including ACH processing and settlement.

   Systemic Risk

10. ABC Company pays its monthly payroll of $1 million via direct deposit through Second Community Bank. On July 28th, ABC Company sends its payroll file to Second Community Bank with an effective date of July 30th. Second Community Bank forwards the entries to its ACH Operator on July 28th. The employee's accounts are credited on July 30th. There were insufficient funds in ABC Company's account to cover the amount of the payroll file. What type of risk is this?

    Credit Risk

11. An RDFI posted all of its received ACH entries based on the effective entry date. A $50 million ACH credit, originated by the Department of Defense, was received by the RDFI on Friday, October 15th. The effective entry date of the entry was stale dated. However, due to a holiday, the Settlement Date of the entry was Tuesday, October 19th. The RDFI posted the entry on October 15th and the receiving company wired the funds out of the account that day. Since the RDFI did not receive a $50 million credit in its reserve account until October 19th, the RDFI experienced a $30,000 loss of funds at the current interest rates. Which type of risk is this?

    Operational Risk

12. A programmer at an ODFI scans a file before forwarding it to the ACH Operator, and locates a large ($1 million) credit transaction destined for an RDFI, where the programmer has a checking account under a false business name. The programmer alters the file by placing his account number in the $1 million transaction. The next morning, the programmer drives to his bank and wires $1 million to his account in Zurich. Later that morning, the intended Receiver realizes that the expected transaction was not posted. The Originator requests reimbursement for $1 million from the ODFI for the payment that was misappropriated by the programmer. What type of risk is this?

    Fraud Risk