Third-Party
Sender Detection

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Third-Party Sender Detection

Know Your Third-Party Senders (TPS)

NACHA's TPS registration rule became live as of Sept 29, 2017; however, a 6-month compliance deadline gives Financial Institutions until March 2018 to register third parties or to notify NACHA that your FI has none.

So how does a Financial Institution determine if any Originators are acting as third-party senders or if an Originator has turned into a Third-Party Payment Processor (TPPP)? Do you rely on Originators to voluntarily declare themselves as Third-Party Senders? Do you send out notifications and questionnaires to all of your customers to educate them on the various scenarios that differentiate a Third-Party Sender from other third parties? How do you know they fully understand these guidelines? How often should you re-evaluate your customers?

TPS Rule Background

The TPS rule requires ODFIs to identify and register their Third-Party Sender customers. The goal is to promote consistent customer due diligence among all ODFIs, and to maintain ACH Network quality.

In most ACH transactions, the roles of the various parties to the transaction–one Originator to one Receiver, for example–are well understood. But when a transaction involves a Third-Party Sender or other payment intermediary, the roles are more complex.

Definition:

A Third-Party Sender serves as an intermediary between the company originating the ACH payment and the ODFI of that transaction. A key point that differentiates a Third-Party Sender from other third parties is that it sends the payment on behalf of its client through its own financial institution as opposed to the financial institution of the client (the Originator).

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Typical TPS Scenario

A Financial Institution might be processing ACH files for one customer who sends batches in a variety of configurations, using the name and/or entry description to manage their internal accounting. For most Originators, there may be some variations, but for a TPS conducting business on behalf of several Originators, there will likely be many batch header definitions used to differentiate the accounts.

New payment models make it impossible to catalogue all the different payment patterns that may arise, so bank operations and risk management staff must stay on top of these FinTech companies to monitor evolving payment patterns.

ACH Operations Bulletin #2-2014:
Determine which Originators are doing business as a Third-Party Sender. This bulletin, available from Laru Technologies, provides a tool that helps to determine the various business scenarios the Originator and/or TPS is engaging through the ACH network. The work is done through analysis of the ACH entries themselves, rather than relying on the Originator and/or TPS to correctly interpret the Rules and notify you, the FI, about their business process.

Laru Technologies Solution
Laru's solution closely monitors the various Batch Header Configurations for all Originators in order to discover a hierarchy in batch header combinations used between some start and end date. The analysis examines the Company name, Company ID, and Company entry description.

Laru's Basic TPS Detection Service

Laru provides a Basic TPS Detection Service that analyzes the ACH files and lists the entire set of company names, IDs and entry descriptions found in the batch headers, along with the number of items in each distinct batch definition. Laru can analyze from 6 months to a year's worth of files on a one-time basis to quickly provide you with this information.

Distinct Batch Header Item Count

Company Name	Company ID	Company Entry Description	Item Count
ZETA01	8474259034	ALLOYA	253
ZETA01	8474259034	FREEPORT	334
ZETA01	8474259034	OMAHA	688
ZETA01	8474259034	BROADWAY	1,106
ZETA01	8474259034	JUNIPER	169
ZETA01	8474259034	FERRY	344
ZETA01	8474259034	PORTAL	1,101
ZETACONS01	8474259034	ROYALTIES	405
ZETACONS01	8474259034	TREASURY	427
ZETACONS02	8474259034	ADVANCE	71
ZETACONS02	8474259034	COMMISSON	111
ZETACONS02	8474259034	FERRY	81
ZETACONS02	8474259034	PAYROLL	86
ZETACONS02	8474259034	RENT	67
ZETACONS03	8474259034	COSTS	55
ZETACONS03	8474259034	DEPOSIT	68
ZETACONS04	8474259034	PAYMENT	35
ZETACONS05	8474259034	ROYALTIES	75
ZETACONS06	8474259034	OFFSETS	200

Laru also provides Advanced TPS Monitoring via the ACH Clarity platform in either the SaaS or enterprise model. The advanced service enables routine monitoring in an ad-hoc manner (running a report manually) or on a pre-determined schedule. This platform provides additional benefits:

- Easily manage the KYC and KYCC elements of electronic payments
- Track transaction volume and return rates at the TPS and at the merchant level
- Find out when new Merchants appear
- Configure risk thresholds as parameters to monitor changes in origination / return volume

- Out-of-the-box Board Reporting that monitors the FI's overall business strategy and exposure limits
- Comprehensive Originator and/or TPS review that covers all of the following:
    - SEC code transaction volume
    - Monthly transaction volume trending
    - Return Rate trending
    - Return Rates by reason code and category
    - Origination Limit by SEC code & multiple settlement periods
    - Alerts generated on origination limit, risk assessment, & potential NACHA rule violation