FRAUD FUNDS INTERDICTION REQUEST

INSTRUCTION GUIDE

American Bankers Association®

Introduction

This document outlines the functional requirements for implementing the Fraud Funds Interdiction Request within the ABA Fraud Contact Directory. Request forms should only be used for U.S. banks and credit unions.

Important Note: *Participating banks are responsible for ensuring that their customer account agreements contain clear and enforceable provisions authorizing the restriction, suspension, or other appropriate actions on funds reasonably suspected of being associated with fraud, scams, or other criminal activity.*

Terms and Conditions

By downloading and using this template form, you acknowledge that all information you provided is accurate and truthful to the best of your knowledge, that you have completed your due diligence to identify the suspected fraudulent activity, and that you have completed all appropriate pre-work as outlined in the instructions. Please ensure you review the instructions for the applicable transfer type before using this template form.

Please send the template form directly to the financial institution from which you are requesting a hold on funds (the Recipient Bank). We recommend using a read receipt when sending the form via email to the Recipient Bank. ABA is not a financial institution and should not receive completed forms.

Use of this template form does not guarantee the return of funds, any response, or any response within a specific timeframe from the Recipient Bank.

ABA has no access to any information you enter into completed forms and cannot follow up on your behalf with the Recipient Bank or any other third party. You acknowledge that ABA has no control over the Recipient Bank or any suspected fraudulent activity referenced in completed forms.

Please also refer to the Fraud Contact Directory Terms and Conditions, linked here.

Fraud Funds Interdiction Request

1. Confirm you have validated the appropriate steps/process have been completed prior to the request for that transaction type:
    a. Real Time Payments
    b. Checks
    c. ACH
    d. Wire
    e. FedNow

2. Once confirmed, users can download the interdiction request template by selecting **"Fraud Funds Interdiction Request"** within a U.S. Financial Institution's contact page:
    a. Note that you will first be prompted to agree to the Fraud Funds Interdiction Request Terms & Conditions

3. Complete the form and send to the contact listed in the directory (if applicable).

    Important Notes:
    - *If you are having issues uploading documentation within the form directly, you are responsible for attaching proper documentation in the email.*
    - *Some institutions will outline specific contacts the forms should be sent to, so please check 'additional information' section*
    - *Please confirm you are sending the form to the correct bank by checking city/state, email domain, and FDIC number.*

Hold Harmless vs. Indemnity

Hold Harmless (The Protection): This protects someone from liability or blame so they do not face financial or legal consequences.

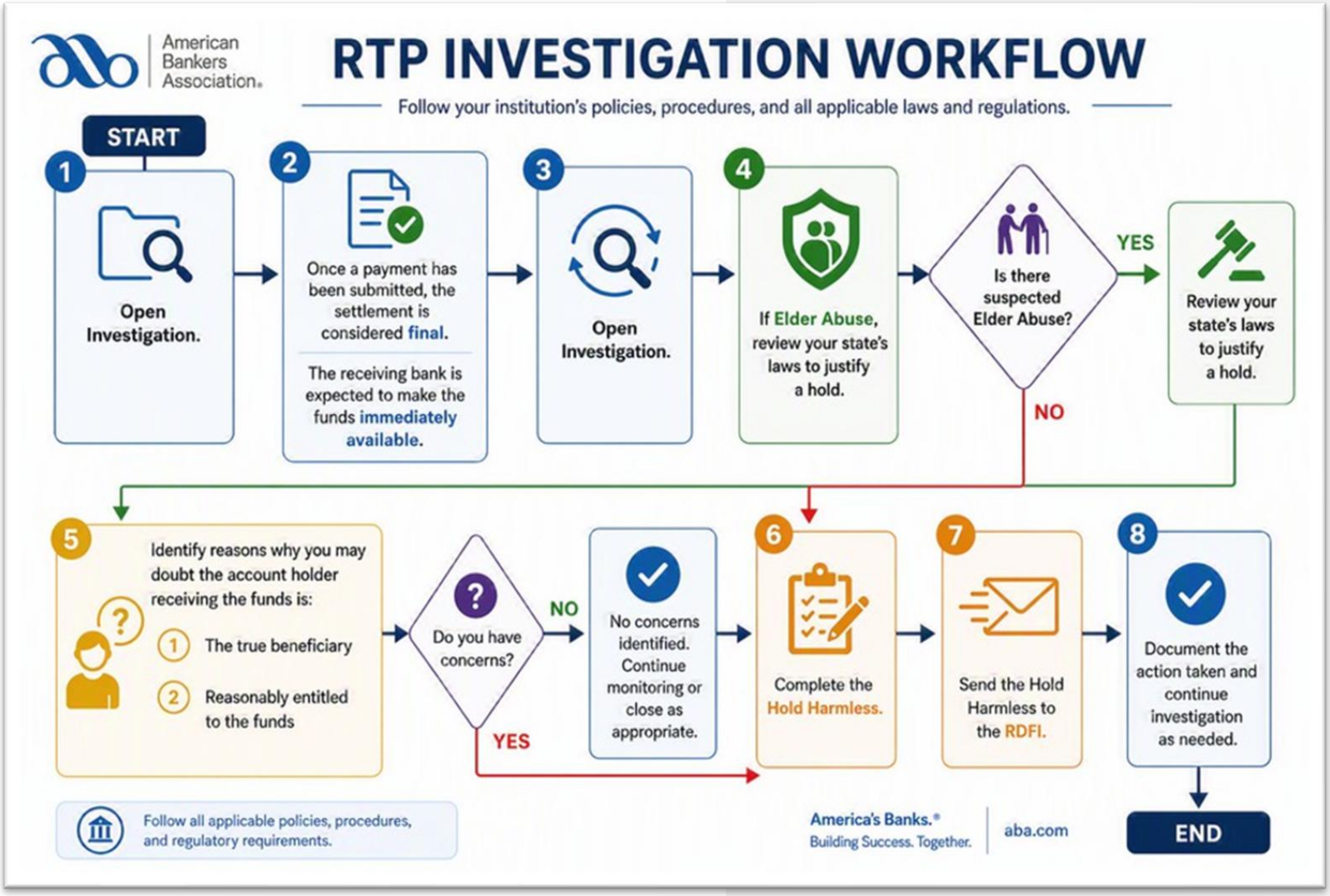
Indemnity (The Compensation): This compensates someone for a loss by paying for damages or expenses.

Transaction Type Instructions

Transaction Type Instructions

Real Time Payments (RTP)

1. Open investigation.
2. Once a payment has been submitted, the settlement is considered final. The receiving bank is expected to make the funds immediately available.
3. Open Investigation.
    a. If Elder Abuse, review your state's laws to justify a hold.
4. Identify reasons why you may doubt the account holder receiving the funds is:
    a. The true beneficiary
    b. Reasonably entitled to the funds
5. Complete the Hold Harmless and send it to the RDFI



Checks

1. Open investigation.
2. Clearly identify the reason for the request to return funds or dishonor the check.
    a. **Note:** This form is intended for suspicion of fraud. Please use other means for errors.
3. If identified within the timeframe of the **Midnight deadline**, reject the check and return to the bank of first deposit.
4. If not identified by the Midnight deadline, follow the following instruction if:

    a. **Check is sent in error.**
        i. Identify if client has placed a “stop payment” alert on the account.
        ii. Obtain alert if not present.

    b. **Check is counterfeit.**
        i. If forged market signature, confirm counterfeit nature through comparison of the original front and back of the check.
        ii. Determine if your bank is a member of the Clearinghouse and has opted into ECCHO Rule 9. Follow ECCHO Rule rules.
        iii. If your bank is not a member of the Clearinghouse or has opted out of ECCHO rule 9, complete the remaining steps in the Fraud Funds Interdiction Request form to create a Hold Harmless agreement and immediately notify the receiving bank of your request.

    c. **Check is altered.**
        i. Confirm the check is an altered check (modified check on the original check stock).
        ii. If check is a forged endorsement, prepare a Breach of Warranty form to deliver to the bank of first deposit.

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CHECKS – INVESTIGATION WORKFLOW

Follow your institution's policies, procedures, and all applicable laws and regulations.

1

Open Investigation.

2

Clearly identify the reason for the request to return funds or dishonor the check.

This form is intended for suspicion of fraud. Please use other means for errors.

3

If identified within the timeframe of the Midnight deadline,

reject the check and return to the bank of first deposit.

4

If not identified by the **Midnight deadline**, follow the following instructions:

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a. Identify if client has placed a "stop payment" alert on the account. Obtain alert if not present.

2. Check is counterfeit.

a. If forged market signature, confirm counterfiet nature through comparison of the original front and back of the check.

b. Determine if your bank is a member of the Clearinghouse and has opted into ECCHO Rule 9. Follow ECCHO Rule rules.

c. If your bank is not a member of the Clearinghouse or has opted out of ECCHO Rule 9, complete the remaining steps in this form to create a Hold Harmless agreement and immediately notify the receiving bank of your request.

3. Check is altered.

a. Confirm the check is an altered check (modified check on the original check stock).

b. If check is a forged endorsement, prepare a Breach of Warranty form to deliver to the bank of first deposit.

REMEMBER:
Document all actions taken and retain all supporting documentation in accordance with your institution's policies and regulatory requirements.

Follow all applicable policies, procedures, and regulatory requirements.

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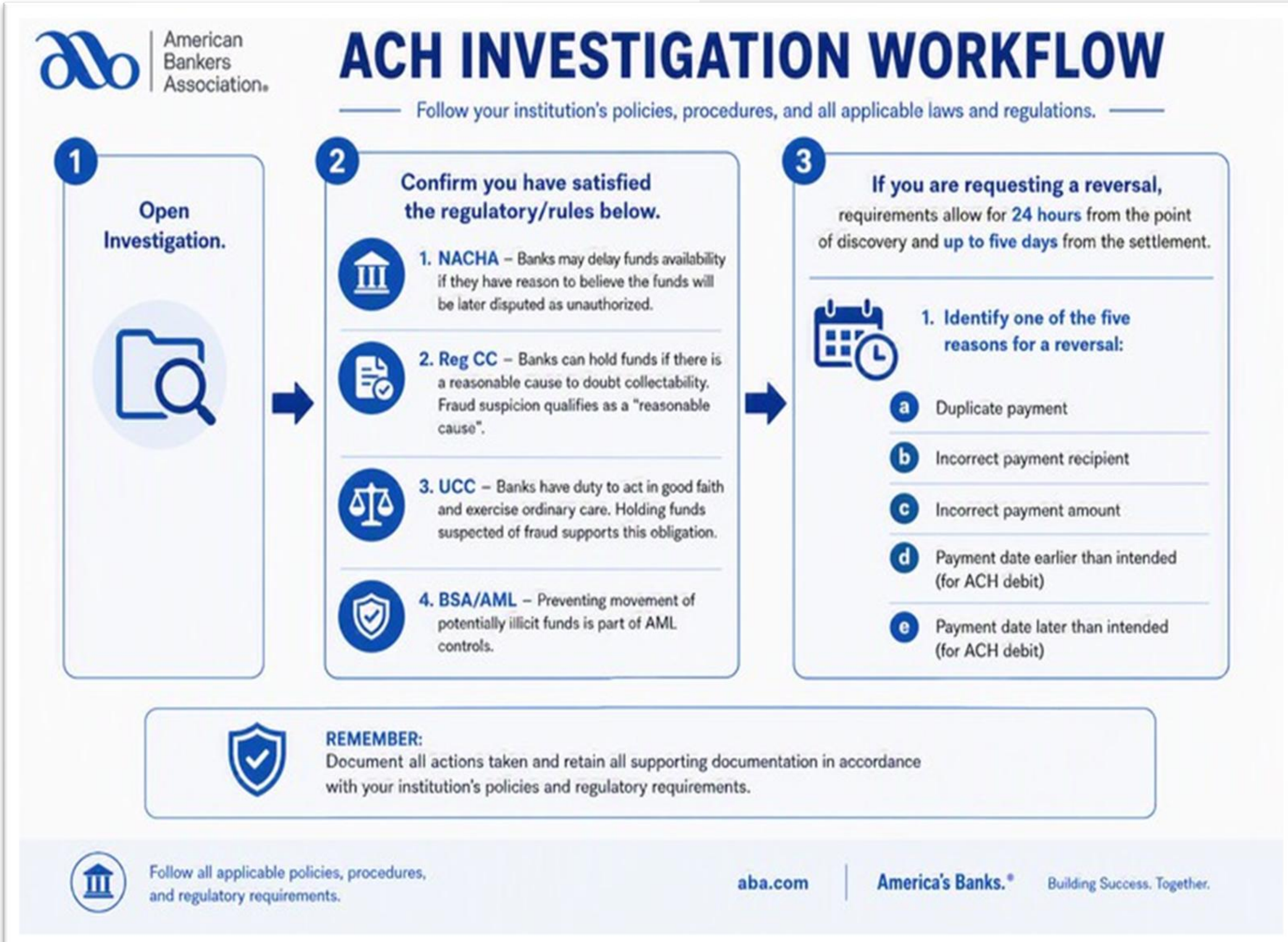
ACH

1. Open investigation
2. **Confirm you have satisfied the regulatory/rules below:**
   a. NACHA – Banks may delay funds availability if they have reason to believe the funds will be later disputed as unauthorized.
   b. Reg CC – Banks can hold funds if there is a reasonable cause to doubt collectability. Fraud suspicion qualifies as a "reasonable cause".
   c. UCC – Banks have duty to act in good faith and exercise ordinary care. Holding funds suspected of fraud supports this obligation.
   d. BSA/AML – Preventing movement of potentially illicit funds is part of AML controls.
3. If you are requesting a reversal, **requirements allow for 24 hours from the point of discovery and up to five days from the settlement.**
   a. Identify one of the five reasons for a reversal:
      i. Duplicate payment
      ii. Incorrect payment recipient
      iii. Incorrect payment amount
      iv. Payment date earlier than intended (for ACH debit)
      v. Payment date later than intended (for ACH debit)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ACH INVESTIGATION WORKFLOW
Follow your institution's policies, procedures, and all applicable laws and regulations.
1
Open Investigation.
2
Confirm you have satisfied the regulatory/rules below.
1. NACHA – Banks may delay funds availability if they have reason to believe the funds will be later disputed as unauthorized.
2. Reg CC – Banks can hold funds if there is a reasonable cause to doubt collectability. Fraud suspicion qualifies as a "reasonable cause".
3. UCC – Banks have duty to act in good faith and exercise ordinary care. Holding funds suspected of fraud supports this obligation.
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Wires

1. Open investigation.
2. Clearly identify the reasons and evidence to support the return of funds.
3. Identify the
    - sender name,
    - date of transfer,
    - amount of transfer,
    - confirmation code, and
    - name of recipient.

For domestic wires, on the recipient account, identify the account to include their ABA routing number.
For international wires, identify the account to include the SWIFT code.

4. Instruct the accountholder victim to complete an ic3.gov complaint form and provide a copy of the completed form to you for your records.
5. Use the **SWIFT "Stop and Recall" function** in your case management system.
6. Complete the Hold Harmless and send to the RDFI.


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WIRES INVESTIGATION WORKFLOW
Follow your institution's policies, procedures, and all applicable laws and regulations.
1
Open investigation.
2
Clearly identify the reasons to support the return of funds and the evidence to support the reason(s).
3
Identify the sender name, date of transfer, amount of transfer, confirmation code, and name of recipient.
4
For domestic wires, on the recipient account, identify the account to include their ABA routing number.
5
For international wires, identify the account to include the SWIFT code.
6
IC3
Instruct the accountholder victim to complete an ic3.gov complaint form and provide a copy of the completed form to you for your records.
7
Use the SWIFT "Stop and Recall" function in your case management system.
8
Complete the Hold Harmless and send to the RDFI.
REMEMBER:
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FedNow

1. Open investigation.
2. Once a payment has been submitted, the settlement is considered final. The receiving bank is expected to make the funds immediately available.
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    a. If Elder Abuse, review your state's laws to justify a hold.
4. Identify reasons why you may doubt the account holder receiving the funds is:
    a. The true beneficiary
    b. Reasonably entitled to the funds
5. Complete the Hold Harmless and send it to the RDFI