

NACHA Nested Third-Party Sender Requirement FAQs & Examples

This document is designed to help answer questions you may have about recent Nested Third-Party requirements.

- 1. Q. Why are you asking if I am making payments on behalf of another organization?**
 - A. WorkMarket is required to adhere to the National Automated Clearing House Association (NACHA) rules and bank partner requirements. A newer NACHA rule (nested third-party sender) requires WorkMarket to identify clients who are using WorkMarket to make payments on behalf of nested third parties (see question 2).
If applicable, clients must disclose information about the nested third parties for which they are processing payments.
- 2. Q. What is a "nested third party"?**
 - A. A nested third party is an entity for which you are making payments that (a) is not an affiliate of yours [those parties not owned by or under common control with your organization (see examples on page 2)] **AND** (b) is not a party to a contract with WorkMarket.
- 3. Q. What is an "affiliate"?**
 - A. An "affiliate" is an entity owned by or under common ownership with your organization.
- 4. Q. What is a "non-affiliate"?**
 - A. A "non-affiliate" is an entity **not** owned by or under common ownership with your organization. If you are making payments for any non-affiliates, you may be a nested third party under NACHA rules.
- 5. Q. What if I use WorkMarket for my payroll and/or 1099 payments, including bill payments to vendors, for example, accounts payable services?**
 - A. If they only reflect payment obligations directly owed by you or your affiliate, then you can select "No" when asked "Does your company make payments on behalf of another organization?" within the Nested Third-Party Agreement in WorkMarket.
- 6. Q. Does this impact me if I am making ACH payments through WorkMarket for another entity?**
 - A. If you are receiving money from that entity to pay a third party for services they rendered to that entity and not you, yes.



Examples of Nested Third-Party Payments (Check the **Yes** box)

- John is a WorkMarket client. John hires Heather to cater his company's event. John pays Heather for her services. Heather then says John, can I give you \$300, and you pay each of my waitstaff \$100. John pays Heather's waitstaff through WorkMarket.
- CPA client "ABACUS" is moving monies on behalf of their client "Joe's Tires," with which WorkMarket does not have a relationship with Joe's Tires.
- WorkMarket client, "CeCe's Restaurant," has a vendor named "Meat Market Inc." Meat Market Inc. has asked CeCe's Restaurant to pay their vendor, "Freezer Co." CeCe's then uses its WorkMarket product to process the payment.
- Client "Tire Shop" is moving monies on behalf of a separately owned company, "Smog," but WorkMarket does not have a direct relationship with Smog [no client contract].

In these and similar instances, the Client would respond "Yes" to the "Does your company make payment on behalf of another organization" question and "No" to the "Are the organizations you make payments on behalf of all affiliates of your company" question in the nested third-party flow in WorkMarket. Also, provide the applicable information on the nested third-party PDF form.

Examples That Do Not Involve Nested Third-Party Payments (Check the **No** box)

- ADP client, "Heather's Bakery," has a contractor "Mo's Consulting" upgrading their point-of-sale software. Heather's Bakery sets up "Mo's Consulting" to pay them for their services as a 1099 contractor/payment in their WorkMarket platform "Heather's Bakery" would check the box 'No' as this is a payment exclusively owed by the client.
- Client "JB Staffing Agency" is paying employees/contractors that provide services to their customers. "JB Staffing Agency" receives funds from their customers for staffing services. "JB Staffing Agency" is the employer of record and is the one issuing payments to their employees/contractors. Client "JB Staffing Agency" would check the box 'No' as this is payment exclusively owed by the client.

In these and similar instances, the Client would respond "No" to the "Does your company make payments on behalf of another organization" question.

- Client "Jeff's Cookies" is paying their phone bill and the phone bill of its second store "Sarah's Cookies", that "Jeff's Cookies" owns. "Jeff's Cookies" sets up 'CA Phone Services' as a 1099 contractor/payment in their WorkMarket. "Jeff's Cookies" would check the box 'No' as "Sarah's Cookies" is an affiliate of "Jeff's Cookies" (common ownership of both entities) so this payment is not considered a nested third-party payment.

In these and similar instances, the Client would respond "Yes" to both questions asked in the workflow in Marketplace.