

ACH Originator Quick Reference

The following information has been provided so that you can become familiar with the ACH Operating Rules. This quick reference guide was developed to give you an overview of important information you should be aware of as an originator of ACH transactions.

GENERAL

- ACH entries are categorized as “consumer” or “corporate”
- ACH is a batch system (not real time)
- Once sent to the ACH Operator, entries are final
- ACH is capable of crediting or debiting checking or savings accounts
- Most banks and credit unions receive ACH entries
- An ACH Originator is any entity or person that creates an ACH transaction
- As of March 2010, ACH stop payments no longer have expiration dates

GOVERNING RULES AND AGREEMENTS

You are required to abide by multiple rules and agreements including, but not limited to, the following when submitting ACH files and transactions.

- NACHA Operating Rules (www.nacha.org)
- Regulation E (for consumer entries)
- UCC4A (for corporate credits)
- First Bank Deposit Account Agreement
- First Bank ACH Agreement
- Bank/Corporate Agreements
- Customer Authorizations

ORIGINATOR RESPONSIBILITIES

- Protect the banking information received
- Send entries on the proper date according to your critical timing calendar
- Make necessary changes to payee account information within six banking days when notified by First Bank
- Cease subsequent entries when appropriate
- Office of Foreign Assets Control (OFAC): All payees must be verified against OFAC
- Ensure your computer and you are protected by following the guidelines listed in the PowerNet Business Banking Access Agreement ACH Addendum

PAYROLL AUTHORIZATIONS (CONSUMERS) FOR DIRECT DEPOSITS

- Neither ACH Rules, nor Regulation E, require an authorization for ACH credits or reversals
- First Bank recommends that you use direct deposit authorization forms that allow the company to debit the employee's account for adjustments. The forms may also be used to collect the proper employee account information
- Verify that the routing number is a valid ACH participant

CORPORATE AUTHORIZATIONS

- For companies, there must be an agreement between the two parties, but the NACHA rules do not define what business practices constitute agreements

ACH PRENOTES

- Prenotes are zero dollar entries that precede the first live entry. The purpose of a prenote is to verify account information
- First Bank recommends sending a prenote. When sent, prenote rules must be followed. A prenote must precede the first live entry by at least six banking days.
- The Receiving Bank is not required to validate the name of the payee on the prenote, although many do; they are only required to check the account number. There is still a risk if the subsequent entry credits the wrong account (this is true for all originations, not just prenotes)

NOTICE OF CHANGE (NOC)

- First Bank will notify you of any NOCs received on your behalf

- When ACH information is incorrect, a Notification of Change (NOC) is sent by the Receiving Bank requesting that future entries contain corrected information. ACH Rules require you to make the change within six banking days of receiving the information from First Bank
- The Receiving Bank warrants that the information they provide is correct

ACH REVERSALS

- Reversals may only be made for the following three conditions: 1) wrong dollar amount, 2) wrong account, or 3) duplicate transaction
- If a reversing entry must be made, please contact First Bank for instructions
- When doing a reversal of a duplicate or incorrect batch, the complete ACH file that was originally submitted must be reversed. The reversing entry must be for the full amount, must be sent within five banking days of original entry and within 24 hours of discovering the error
- For wrong amount or wrong account reversing entries, a correcting entry must also be sent at the same time of reversal
- The Receiving Bank is under no obligation to post the reversing debit if it overdraws the payee's account or if the payee's account is closed
- You must notify a payee if a reversing entry debits his or her account. An authorization is not required for the reversing debit

OFAC

- You are required to check payees against the OFAC SDN list at www.treas.gov/offices/enforcement/OFAC
- The Office of Foreign Asset Control (OFAC) lists countries, groups and individuals that U.S. companies are not allowed to send funds to or receive funds
- First Bank must inform every customer that it is against the law to send debit or credit entries to OFAC blocked entities

ACH SECURITY FRAMEWORK (Effective September 20, 2013)

This new rule establishes the minimum data security obligations for ACH Originators to protect sensitive data and access controls.

KEY REQUIREMENTS

- Protection of sensitive data and access control (both the ACH Originator and First Bank must have written policies and procedures)
- Self-Assessment (bank only)
- Verification of Third-Party Senders and Originators (bank only)

COMPLIANCE REQUIRED

- Originating Depository Financial Institution (ODFI)
- Receiving Depository Financial Institution (RDFI)
- Non-Consumer Originators
- Third-Party Service Providers (TPSP)
- Third-Party Senders (TPS)

MORE INFORMATION

- NACHA Operating Rules are available at www.nacha.org
- The Better Business Bureau offers training specifically for small businesses on how to simplify the requirements of ACH data security. Visit www.bbb.org/data-security to get further information

*For additional information call First Bank, Electronic Banking Center
Toll free at (888) 220-4446 or (907) 228-4446
www.firstbankak.com/business/services/cash-management.html*