



ACH Origination Services Quick Guide

This Quick Guide provides a brief summary of ACH facts and ACH Originator Responsibilities. It is not intended to be a replacement or substitution for the Nacha Operating Rules. Nacha Rules are subject to change.

You are responsible for abiding by the Nacha Operating Rules including periodic revisions. The most recent version is available at www.nachaoperatingrulesonline.org.

ACH Facts

- An ACH Originator is any entity or person that creates an ACH transaction.
- ACH entries are categorized as “consumer” or “corporate.”
- ACH is capable of crediting or debiting checking or savings accounts.
- ACH entries are received by most financial institutions.
- ACH is a batch system (not real time).
- ACH entries are irrevocable once they have been sent for processing.

Your Responsibilities as an Originator

- Obtain proper authorization from the Receiver to originate one or more entries to the Receiver’s account, and retain authorizations for a period of two years from the date of termination or revocation of the authorization. *Sample forms are available upon request.*
- If requested by the Bank, provide a copy of the authorization within 8 business days of the request for the Bank to comply with Nacha Rules. American Riviera Bank may also request to see your authorizations from time to time as part of an annual audit.
- Send entries on the proper date.
 - All ACH payments must be Authorized before the cutoff at 3:30 pm on the banking day before the effective date.
- Give appropriate notice to recipient if changing amount or date.
- Cease subsequent entries when notified to stop.
- Make necessary changes to payee account information within six (6) banking days upon receipt of a Notice of Correction or before another entry is sent.
- Protect the banking information received and control access to this data.
- Ensure your computer and you are protected as outlined in the American Riviera Bank Commercial Digital Banking Agreement.

Direct Deposit Payroll Authorization (Consumer)

- Use an ACH Credits authorization form that collects employee account information.
 - A sample authorization agreement for Automatic Deposits is available upon request.
- Obtain a voided check or deposit ticket from the employee (if possible).
- The most common SEC code for direct deposit is PPD.

Consumer Debit Authorizations

- For consumers, an authorization to debit an account must be in writing or “similarly authenticated.”
- Pre-authorized Payment/Deposits (PPD) should be selected when you are crediting or debiting a consumer account.

Corporate Authorizations

- For companies, there must be an agreement between the two parties. While the Nacha Rules do not define an “agreement,” American Riviera Bank recommends that you have the company complete an authorization form.
- Cash Concentration Debits/Entries (CCD) should be selected to send an ACH to another company. It is used for debits and credits.
- CCD Entries may provide payment related information in one Addenda Record. A CCD Entry may also be a Non-Monetary Entry that carries payment related information in one Addenda Record.
- A CCD Entry that is a Health Care EFT Transaction must include one Addenda Record that contains a Reassociation Trace Number in the Payment Related Information field. Note: A Prenotification Entry that is initiated for a Health Care EFT transaction is not required to contain an Addenda Record.

Notice of Change

- When ACH information is incorrect, a Notification of Change (NOC) is sent by the Receiving Bank requesting that future entries contain correct information.
- ACH Rules require you to make the change within six (6) banking days of receiving the information from American Riviera Bank or before another entry is sent.
- The Receiving Bank warrants that the information they provide to you is correct.
- American Riviera Bank will notify you of any NOCs received on your behalf.
- American Riviera Bank may pass along any fines received based upon your non-compliance.

Returns

- You may re-initiate a debit entry within 180 days up to two times if you receive a return entry of “NSF or Uncollected Funds.” This gives the Originator a total of three attempts at debiting an account.
- Reinitiated entries must be sent in a separate batch and contain identical content in the Company Name, Company ID, and Description field. It must contain RETRY PYMT in the Company Entry Description field.
- A “Stop Payment” return may be re-initiated only if you receive approval from the payee to re-send the item.
- It is a violation of Nacha Rules to re-initiate the debit entry if a return is received for any other reason.

Changing Date or Amounts of Debits

- Nacha Rules require you to notify your recipients of any changes in date or amount debited under the following circumstances:
 - Seven (7) calendar days’ notice for a change of date (consumer and corporate).
 - Ten (10) calendar days’ notice for a change in amount (consumer only).
- Sending the notice via U.S. Mail is acceptable.

Reversals

- Once an entry or file has been transmitted into the ACH network, it cannot be recalled, but an erroneous or duplicate entry may be reversed.
- If a reversing entry must be made, please contact Digital Support at 805-880-7606 for instructions.
- Reversals may only be made for the following three conditions:
 - Wrong dollar amount
 - Wrong account number
 - Duplicate transaction
- If reversing an entry due to an incorrect amount or incorrect account, a correcting entry must also be sent.
- The reversing entry must be for the full amount, must be sent within five (5) banking days of original entry and must be sent within 24 hours of discovering the error.
- 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.
- A payee must be notified if a reversing entry debits his or her account. However, a payee does not need to authorize the reversing debit.

Protect Against Fraud

- Fraud schemes continue to grow, evolve and target legitimate businesses. Common examples are:
 - Business Email Compromise – Legitimate business emails are compromised or impersonated and then used to request an ACH payment to an account controlled by the fraudster.
 - Vendor Impersonation - Fraudster contacts your company posing as a legitimate vendor or contractor to request updates or changes to payment information to an account held by the fraudster. Contact is made via email, fax, phone, or online form submission.
- Dual control requires one user to initiate the transaction and another to approve it. If you do not have a second person to assist with this, you can set up an alert so that you are notified every time an ACH is initiated. Dual control can also be used to verify changes to recipient account information.
- Limit ACH origination access and keep limits low.

- Create templates so recipient information and dollar amount is established ahead of time.
- Educate and train employees to recognize, question, and independently authenticate changes in payment instructions, requests for secrecy, or pressure to take action quickly.

Prenotifications (Prenotes)

- Prenotes are zero-dollar entries that precede the first live entry sent to verify account information.
- Prenotes are optional for you to send. However, if sent, prenote rules must be followed and it must precede the first live entry by at least three (3) banking days.