

To ensure compliance with current regulations, all ACH Originators should obtain a current copy of the National Automated Clearing House Association (NACHA) Operating Rules (Rules) and Guidelines that is published annually. Instructions for accessing an online copy of the Rules will be provided to you. A copy of the Rules book may also be purchased at www.nacha.org.

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 Rules and Guidelines. NACHA Rules are subject to change.

Your Responsibilities as an Originator

- Obtain proper authorizations, dependent upon the transaction type, and retain authorizations for two years past revocation (See “Consumer Debit Authorizations”).
- If requested by the Bank, provide a copy of the authorization. First State Bank may request to see your authorizations from time to time as part of an annual audit.
- Send entries on the proper date.
- Give appropriate notice to debtor if changing amount or date.
- Cease subsequent entries when notified.
- 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.
- Check payees against OFAC compliance checklists.
- Protect the banking information received to originate transactions.
- Ensure your computer and you are protected as outlined in the First State Bank Business Online Banking Agreement and ACH Manager Clients.

Direct Deposit Payroll Authorizations (Consumer)

- Use a direct deposit authorization form that collects employee account information. This form should allow the company to make credit and debit entries in the event a payroll adjustment is necessary.
- 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.”
- The most common SEC code for consumer debits is PPD.

Corporate Authorizations

- For companies, there must be an agreement between the two parties. While the NACHA Rules do not define an “agreement,” First State Bank recommends you have the company complete an authorization form. Receiving Depository Financial Institutions (RDFIs) are permitted to ask for proof of authorization for non-consumer ACH entries.
- The most common SEC codes for corporate transactions are CCD or CTX, depending upon addenda origination. They are used for debits and credits.

Changing Date or Amounts of Debits

- ACH Rules require you to notify your debtors 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.

Prenotifications (Prenotes)

- Prenotes are zero-dollar entries that precede the first live entry. The purpose of a prenote is to verify account information.
- Prenote rules must be followed and a prenote must precede the first live entry by at least three (3) 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.

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 First State Bank or before another entry is sent.
- The Receiving Bank warrants that the information they provide to you is correct.
- First State Bank will notify you of any NOCs received on your behalf.
- First State Bank may pass along any fines received based upon your non-compliance.

Returns

- Returns must be processed by the Receiving Bank within 24 hours of settlement. Returns that are unauthorized beyond the 24 hours are the company's liability and any disputes may have to be settled outside of the banking network. First State Bank recommends that you view your account activity daily.
- An exception to the 24-hour rule is consumer unauthorized returns, which may be returned within 60 days of posting.
- The use of consumer (PPD) or corporate (CCD) entry codes determines the applicable ACH return rules.
- If the Receiving Bank receives a dispute claiming a debit was unauthorized, the Receiving Bank must get a signed Written Statement of Unauthorized Debit from the account holder. You may obtain a copy of that statement by requesting a copy through First State Bank.
- You may re-initiate a debit entry up to two times if you receive a return entry of "NSF or Uncollected Funds." This gives the Originator three attempts in total at debiting an account.
- 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.

Reversals

- Contact First State Bank Operations Department for Reversal information – 515-832-2520

OFAC (Office of Foreign Asset Control)

- You are required to check payees against OFAC compliance checklists.
- OFAC lists countries, groups and individuals with which U.S. Companies are not permitted to send or receive funds.
- It is against the law to send debit or credit entries to OFAC-blocked entities.
- You may check the OFAC SDN list at: <http://sdnsearch.ofac.treas.gov>.