

ACH ORIGATION SERVICE

Originator Information & Obligations



The ACH Network is governed by *The NACHA Operating Rules (Rules)*, which provide for the interbank clearing of electronic payments. **As an Originator, you must comply with and are bound by the Rules** and Citizens' Business Online Banking ACH Agreement. The *Rules* apply to all entries and entry data transmitted through the Network. If you or your financial institution are found to be in non-compliance with the *Rules* and you are unable (or unwilling) to correct the problem within a reasonable time frame, **you may be fined**. If any data in an ACH transaction is incorrect, causing any loss, the Originator will be liable for that loss. **Originators should take the necessary steps to ensure all data input processes have sufficient controls to catch errors and prevent fraudulent activity**. A complete copy of the *Rules* is available at www.achrulesonline.org.

You are required to obtain an authorization from the Receiver for all transactions you originate. An Originator must retain the original or a reproducible copy of the Receiver's authorization for 2 years from the termination or revocation of the authorization. If an RDFI requests a copy of an authorization, you must make it available to Citizens so that we can provide it to the RDFI within 10 banking days at no charge.

Definitions:

- **Automated Clearing House (ACH):** An electronic funds transfer system governed by the *NACHA Operating Rules*.
- **ACH Operators:** The Federal Reserve and Electronic Payments Network are the central clearing facilities through which financial institutions transmit or receive ACH entries.
- **Banking Day:** With reference to an ACH Operator, any day on which the facility is open for business.
- **Originator:** Any person or organization that has authorized an ODFI (directly or through a Third-Party Sender) to transmit-entries for the account of the Originator into the ACH Network according to an arrangement with a Receiver. You are the Originator of your transactions.
- **Originating Depository Financial Institution (ODFI):** ODFIs receive payment instructions from Originators and forward entries to the ACH Operator. Citizens Financial Bank is the ODFI.
- **Receiver:** An individual, corporation or other entity that has authorized an Originator to initiate a credit or debit entry to a transaction account held at an RDFI.
- **Receiving Depository Financial Institution (RDFI):** RDFIs are the destination financial institutions of ACH transactions.
- **Settlement Date:** The date that the participating financial institutions are credited or debited for the ACH file. It is usually the same as the Effective Entry Date set by the Originator. The Settlement Date must be an ACH Operator's Banking Day. Settlement cannot occur on a Federal Reserve Holiday or weekend day.

ACH Origination Transactions:

- **Debit Entry** – a DEBIT to Receiver's account; Originator's account is credited.
- **Credit Entry** – a CREDIT to Receiver's account; Originator's account is debited.
- **Prenotification Entry (Prenote)** – An optional non-dollar transaction sent by the Originator to verify the account number information provided by the Receiver. If the Originator sends a Prenote transaction, it may not originate entries to the Receiver's account sooner than 6 Banking Days following the Settlement Date of the Prenote. If an RDFI sends a Return or NOC (see below) in response to the Prenote, the Originator must make the changes within 6 Banking Days from receipt of the NOC information or prior to sending the next entry, whichever is later.

ACH Origination Checklist

1. Confirm validity of Authorization from Receiver.
2. Verify account number and bank routing number of Receiver.
3. Determine Effective Entry Date of transaction/file (desired Settlement Date).
4. Confirm sufficient funds in funding account (for ACH Credit Transactions).
5. Obtain internal approval for transaction (if required).
6. Initiate transaction through Business Online Banking.
7. Receive confirmation of transaction/file.

Standard Entry Class (SEC) Codes – ACH Transaction Types

	PPD (Prearranged Payment or Deposit)		CCD (Corporate Credit or Debit) CTX (Corporate Trade Exchange)
	CREDIT	DEBIT	CREDIT OR DEBIT
	Receiver	Consumer	Consumer
Applications	<ul style="list-style-type: none"> ▪ Direct Deposit of Pay ▪ Expense Reimbursements ▪ Dividends 	<ul style="list-style-type: none"> ▪ Accounts Receivable Collection ▪ Rent Collection ▪ Tuition Collection 	<ul style="list-style-type: none"> ▪ Vendor Payments ▪ B2B Collections ▪ Funds Concentration
Receiver's Account	Checking and/or Savings	Checking and/or Savings	Checking and/or Savings
Authorization	Oral or Written.	Written or Similarly Authenticated.	Agreement in writing between parties.
Authorization Retention	2 Years from Termination or last Settlement Date.	2 Years from Termination or last Settlement Date.	
General Processing Deadlines	Submit up to 2 business days prior to Settlement Date.	Submit up to 1 business day prior to Settlement Date.	Same as PPD Transactions
Recurring Transactions		<ul style="list-style-type: none"> ▪ Authorization <u>must</u> provide for Receiver's right of revocation. ▪ Must notify consumer of date and/or amount change. 	
Addenda Information	May have 1 addenda record.	May have 1 addenda record.	CCD – 1 Record CTX – 9,999 Records
Other		Consumer has 60 days from Settlement Date to dispute unauthorized transaction.	Invoice and remittance information is included within transaction.

Notification of Change (NOC) - Optional non-dollar transaction sent by the Receiving Bank to instruct the Originator to correct information contained within an entry. The Originator must make the changes within 6 Banking Days from receipt of the NOC information or prior to sending the next entry, whichever is later. Some common NOC Codes:

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| C01 Incorrect Account Number | C05 Incorrect Transaction Code |
| C02 Incorrect Routing Number | C06 Incorrect Account Number and Transaction Code |
| C03 Incorrect Routing Number and Account Number | C07 Incorrect Routing Number, Account Number and Transaction Code |
| C04 Incorrect Individual Name/Receiving Company Name | C09 Incorrect Individual ID Number |

Return -ACH transactions may be returned for a variety of reasons including insufficient funds or account closed. These returns must be made available to us by the RDFI by opening of business on the second banking day following settlement. Some common Return Reason Codes:

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| R01 Insufficient Funds | R08 Payment Stopped |
| R02 Account Closed | R09 Uncollected Funds |
| R03 No Account / Unable To Locate Account | R10 Customer Advises Not Authorized |
| R04 Invalid Account Number | R15 Account Holder Deceased |
| R07 Authorization Revoked By Customer | R16 Account Frozen |
| | R24 Duplicate Entry |

Returns for insufficient or uncollected funds may be reinitiated no more than twice. Resubmitted items must be sent within 180 days of the original settlement date. Citizens will notify you of your returned transactions via fax.

Extended Return Entry - Consumer claims an ACH transaction is unauthorized or their authorization has been revoked. The RDFI has 60 days to return the transaction through the ACH Network. The ODFI and Originator must accept all Extended Return Entries-that comply with the *Rules*.

Citizens reserves the right to examine and audit your procedures at any time.

For support with our ACH Origination Service, please call
the Business Resource Center at 1-888-811-6344.