

## Responsibilities of the Originator

- Required to comply with *ACH Rules* and the warranties of the ODFI (Originating Depository Financial Institution)
- Banking information transmitted over Unsecured Electronic Networks must be encrypted at required levels and comply with current, applicable regulatory guidelines.
- Required to enter a valid Effective Entry Date consistent with the expected date the entry should settle. Stale dates, invalid dates, weekend, and legal Federal holidays should not be used.
- Originators approved to send Same Day entries must follow the ODFI's requirements regarding use of optional fields.
- Consumer Accounts – Notice by Originator to Receiver of Variable Debits
  - Notice of Change in Amount – 10 calendar days
  - Consumer may elect to receive notice only if amount falls within a specified range.
  - Notice of Change in Date of Debit – 7 calendar days
- Originators choosing to initiate prenotifications follow required *ACH Rules*. If a prenotification is sent, the live dollar entry may not be sent for three banking days.
- Authorizations must be clear and readily understandable. If the authorization is not clear and readily understandable it is not considered to be a valid authorization.
- Originators must obtain the Receiver's authorization for entries as required by the *ACH Rules*, and that copies of such authorizations are provided to the Receiver in accordance with the requirements of the *ACH Rules*. Copies of authorizations are maintained for two years from the date the authorization is terminated.
  - Corporate to Consumer (PPD) Credits – Authorization required, oral or other non-written means accepted
  - Corporate to Consumer (PPD) Debits – written, signed or similarly authenticated authorization required with copy provided to consumer
  - Consumer to Corporate (CIE) Credits – presumed agreement between consumer and company
  - Destroyed Check Entries (XCK) Debits – No authorization required (RDFI not required to accept these entries; should have the financial institution's policy on XCK entries documented in their internal procedures)
  - Corporate Payment Entries (CTX/CCD) Debits/Credits – Agreement required for transfers between companies, written authorization implied.
- Entries returned for R01 or R09 are not reinitiated in excess of the limits prescribed by the *ACH Rules*. Entries that are returned as R01 or R09 may be reinitiated up to two additional times and must contain the words "RETRY PYMT" in the Company Entry Description Field.
- Originators receiving entries returned as "R07 Authorization Revoked by Customer", "R08 Payment Stopped", or "R10 Customer Advises Not Authorized" may not reinitiate these entries unless subsequent authorization of their customer has been obtained. Originators should be aware that entries returned "R05 Unauthorized Debit to Consumer Account Using Corporate SEC Code" may not be reinitiated unless (a) subsequent authorization has been obtained, and (b) the Standard Entry Class code has been corrected.
- Originators receiving returns relating to prenotifications indicating that the RDFI cannot accept such entries do not initiate these entries.
- Originators receiving Notifications of Change are aware that requested changes should be made prior to the initiation of the next entry or within six banking days, whichever is later.

- Originators ensure that reversing files and reversing entries are transmitted to the Receiving ACH Operator in such time as to be transmitted or made available to the RDFI within five banking days following the Settlement Date of the erroneous entry or file.
- Originators ensure that they clearly identify themselves in an ACH entry through the use of a name that is known to and readily recognized by the Receiver.
- Originators initiating entries for which any banking information including, but not limited to, an Entry, Entry Data, a routing number, an account number and a PIN or other identification symbol, is transmitted or exchanged between a Receiver and an Originator, or an Originator and an ODFI, or an Originator and a Third Party Service Provider via an Unsecured Electronic Network, have prior to key entry and through the transmission of any banking information (1) encrypted using a commercially reasonable standard of security technology that complies with current, applicable regulatory guidelines, or (2) transmitted or received via secure session utilizing a commercially reasonable standard of security technology that complies with current, applicable regulatory guidelines.
- Ensure that Originators are informed of their responsibilities in regard to the Data Passing.
- Ensure Originators/Third Party Sender is aware of the Security Framework requirements.
- As ACH Origination is a higher risk commercial banking function, companies should consider performing an internal risk assessment and controls evaluation periodically to be sure all available security options are considered. For additional information on protecting your business from Internet fraud, please visit the U.S. Chamber of Commerce website and view the free link to the “Internet Security Essentials for Business” handbook (<http://www.uschamber.com/issues/technology/internet-security-essentials-business>).
- **Originators of ARC and BOC entries**
  - Employ commercially reasonable procedures to verify the identity of the Receiver.
  - Company must have procedures in place to securely store and destroy the source document and all banking information related to the entry.
  - Company must provide the Receiver with notice that includes the following, or substantially similar language: “When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.” For BOC Entries, a telephone number must be listed on notice for inquiries and notice must be posted in a prominent and conspicuous location at the point of purchase or manned bill payment location. A copy of the notice must be provided to the Receiver at the time of transaction. For ARC entries a copy of the notice must be provided to the Receiver prior to receipt of the check.
  - Source documents (checks) presented by the Receiver must have a pre-printed serial number, must be in an amount of \$25,000 or less, and be completed and signed by the Receiver.
  - Prohibited source documents that **CANNOT** be converted:
    - Items that contain an Auxiliary On-Us Field in the MICR line
    - Amounts greater than \$25,000
    - Third-party checks or sharedrafts

- Remotely created checks, as defined by Regulation CC (Availability of Funds and Collection of Checks), and third-party drafts that do not contain the signature of the Receiver
- Checks provided by a credit card issuer for purposes of accessing a credit account or checks drawn on home equity lines of credit
- Checks drawn on an investment company as defined in the Investment Company Act of 1940
- Obligations of a financial institution (e.g., travelers checks, cashier's checks, official checks, money orders, etc.)
- Checks drawn on the U.S. Treasury, a Federal Reserve Bank, or a Federal Home Loan Bank
- Checks drawn on a state or local government that are not payable through or at a participating DFI
- Checks or sharedrafts payable in a medium other than United States currency.
- Checks or sharedrafts that have not been encoded in magnetic ink.
- Company is prohibited from collecting fees by adding to the amount of the source document. A separate entry using the appropriate Standard Entry Class Code must be used to collect a service fee from the Receiver if Receiver's authorization has been obtained.
- Company must establish and maintain a working telephone number for Receiver inquiries regarding the transaction that is answered during normal business hours. This telephone number must be displayed on the notice required by the *ACH Rules* for BOC entries.
- Company certifies that capture of information for the amount of the entry, the routing number, the account number, and the check serial number are in accordance with the source document as required by the use of a reading device to capture the MICR line of the source document. (subsequent correction of errors related to MICR misreads, mis-encoding, or processing rejects is permitted by key entry).
- Company is required to retain a reproducible, legible image, microfilm, or copy of the front of the Receiver's source document for each ARC or BOC entry for two years from the Settlement Date of the ARC or BOC entry. At discretion of Company, copies of backs of the source documents may be retained.
- Company is required to provide copies of source document upon request of ODFI. The copy must indicate that it is a copy on its face.  
*Note: The ODFI is required to provide a copy of the source document within 10 banking days.*
- Company agrees that the check will be used only as a source document and will not enter into the check collection process.
- **Origination of POP Entries**
  - Company will obtain written authorization for POP entries in accordance with the *ACH Rules* and U.S. law and provide a copy to the Receiver. The Company will retain the authorization or a copy of the authorization for period of two years from the Settlement Date of the POP entry. The authorization will state that the source document will not be processed as a check. The Originator will provide the Receiver with a notice that includes the following, or substantially similar, language:

- *“When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.”*
- The notice must be provided to the Receiver in a clear and conspicuous manner
- The Company will ensure that the amount of the entry, the routing number, the account number and check serial number are in accordance with the source document. The routing number, account number, and check serial number will be captured electronically using a check reading device. The Company will include a four-character name or abbreviation of the city in which the electronic terminal is located in the Terminal City Field and a two-character abbreviation for the state in which the electronic terminal is located in the Terminal State Field.
- The Company will initiate a POP entry only if the source document meets the eligibility requirements in accordance with the ACH Rules.
- Eligible Checks
  - Does not contain an auxiliary On-Us Field in the MICR line
  - Has a pre-printed serial number
  - An amount of \$25,000 or less
  - Completed and signed by the Receiver
- Ineligible Checks
  - Checks or sharedrafts that have not been encoded in magnetic ink
  - Checks or sharedrafts that contain an Auxiliary On-Us Field in the MICR line
  - Check or sharedrafts in an amount greater than \$25,000
  - Third-party checks or sharedrafts
  - Demand drafts and third-party drafts that do not contain the signature of the Receiver
  - Checks provided by a credit card issuer for purposes of accessing a credit card account or checks drawn on home equity lines of credit
  - Checks drawn on an investment company
  - Obligations of a financial institution (e.g., traveler’s checks, cashier’s checks, official checks, money orders, etc.)
  - Checks drawn on the Treasury of the United States, a Federal Reserve Bank, or a Federal Home Loan Bank
  - Checks drawn on a state or local government that are not payable through or at a Participating DFI
  - Checks or sharedrafts payable in a medium other than U.S. currency
- Company will void and return the source document to the Receiver. The Company will also ensure that the source document has not been provided by the Receiver for use in any prior POP entry.
- The Company will ensure that the Receiver is provided with a receipt that contains information relating to the POP entry, as required by the ACH Rules:
  - Originator Name (merchant)
  - Company (merchant)/third-party service provider phone number
  - Date of transaction
  - Transaction Amount
  - Source Document serial number

- Merchant Number (or other unique number to identify the location)
  - Terminal City
  - Terminal State
  - It is also suggested that the following information be provided:
  - Merchant address and identification number
  - Receiver's financial institution routing number, truncated account number, and truncated identification number
  - Transaction reference number
  - Company will develop alternative methods for retaining information when necessary to identify the customer for whom a POP entry has been returned.
- **Origination of RCK Entries**
    - Company will obtain proper authorization for consumer entries in accordance with the ACH Rules and U.S. law. The Company will provide the Receiver with a notice that clearly and conspicuously states the terms of the represented check entry policy in advance of receiving the item to which the RCK entry relates.
    - Company will ensure that the amount of the entry, the routing number, the account number and check serial number are in accordance with the item.
    - Company will retain a reproducible front and back copy of the item for seven years from the Settlement Date of the RCK entry. The Company will provide the Financial Institution with a copy upon request. The Company will ensure that the item to which the RCK entry is not re-presented for payment. The Company will employ commercially reasonable methods to securely store all items until destruction and all banking information relating to the RCK entry.
    - Company will initiate an RCK entry only if the source document meets the eligibility requirements in accordance with the Rules.
    - Eligible Checks
      - Consumer only
      - Has a pre-printed serial number
      - Less than \$2,500
      - Completed and signed by the Receiver
      - Check returned for reason of Insufficient Funds or Uncollected Funds
      - RCK presentment must be within 180 days from the date on the item
      - Company will not include the amount of the collection fee with the RCK entry.
- **Origination of TEL Entries**
    - Company will obtain authorization for TEL entries in accordance with the *ACH Rules* and U.S. law. In order for the company to initiate the phone call, there must be an existing relationship with the Receiver or the Receiver can initiate the call. The Company will retain a record of the authorization for period of two years from the Settlement Date of the single TEL entry and for recurring TEL entries the authorization must be retained for two years from termination or revocation of the authorization.
    - TEL Authorizations – TEL entries may only be initiated when there is an existing relationship between the Originator and the Receiver or the Receiver initiated the phone call.

- **Single-Entry TEL Authorizations**
  - The originator must obtain oral authorization for a TEL Entry and must state in clear and readily understandable terms the following:
    - date on which or after which the ACH debit will occur;
    - amount of transaction;
    - receiver's name;
    - account to be debited;
    - telephone number for receiver to call with inquiries;
    - date of oral authorization;
  - statement by the Originator that the authorization obtained from the Receiver will be used to originate an ACH debit entry to the consumer's account; and
  - Originator must either make an audio recording of the oral authorization, or provide the Receiver with written notice confirming the oral authorization prior to the settlement of the entry.
- **Recurring TEL Authorizations**
  - The originator must create a recording of the oral authorization that meets the requirements listed below and must send a written copy of the authorization to the Receiver prior to the Settlement Date of the first entry originated with the authorization.
  - The oral authorization must:
    - be readily identifiable as an authorization of a recurring transfer from the Receiver's account;
    - state the terms of the recurring transfer clearly and in readily understandable terms;
    - evidence the Receiver's identity;
    - evidence the Receiver's assent to the authorization.
  - The authorization recorded by the Originator must include:
    - the name or identity of the Receiver;
    - a telephone number for Receiver inquiries that is answered during normal business hours;
    - the date of the Receiver's oral authorization;
    - specific authorization language;
    - the account to be debited;
    - the timing, number and/or frequency of the debits; and
    - the amount of the debit, or reference the method of determining the amount of recurring transfers.
- Retain the original tape recording or a copy for two years from the Settlement Date of the single TEL entry and for recurring TEL entries the authorization must be retained for two years from termination or revocation of the authorization.
- If the originator does not tape record (single TELs only), a written notice must be provided which confirms the authorization and discloses during the telephone conversation the method by which notice will be provided.
- Company will employ a commercially reasonable procedure to verify routing numbers.

- Company will employ a commercially reasonable procedure to verify the identity of the Receiver.
- **Origination of WEB Entries**
  - Company will obtain authorization for WEB entries in accordance with the Rules and U.S. law. The Company will retain a record of the authorization for period of two years from the Settlement Date of the WEB entry.
    - Must be written, signed, or similarly authenticated
    - Must be readily identifiable as an ACH Debit authorization
    - Clearly and Conspicuously state its terms
    - Provide a method for revoking authorization (for recurring transactions or single entry transactions scheduled in advance)
    - Consumer must be prompted to print or be provided with a hard copy upon request
  - Company will employ a commercially reasonable procedure to verify routing numbers.
  - Company will employ commercially reasonable methods of authentication to verify the identity of the Receiver.
  - Company will employ a commercially reasonable fraudulent transaction detection system.
  - Company will establish a secure Internet session with each Receiver utilizing a commercially reasonable standard of security technology that complies with current, applicable regulatory guidelines prior to the Receiver's key entry of any banking information, including but not limited to, the Receiver's financial institution routing number, account number, and PIN number or other identification symbol.
  - Company will conduct an annual audit to ensure that the financial information it obtains from Receivers is protected by security practices and procedures that include, at a minimum, adequate levels of (1) physical security to protect against theft, tampering or damage; (2) personnel and access controls to protect against unauthorized access and use; (3) network security to ensure secure capture.