



## Automated Clearing House (ACH) Rules for ACH Originators

### Important Terms

**ACH NETWORK** – The ACH Network is a batch payment system. UniBank forwards entries received from its Originators to the Federal Reserve at the end of the banking day. The Federal Reserve distributes the entries to each Receiving Bank and the Receiving Bank in turn credits or debits its customers.

**NACHA RULES** – NACHA administers the rules that govern the ACH Network. Banks, Originators, and Third Party Service Providers participating in the ACH Network agree to abide by the NACHA Rules. The online copy of the rules may be accessed at <http://www.achrulesonline.org/>

**CREDIT ENTRY** – An ACH entry that deposits (credits) funds to a Receiver's account.

**DEBIT ENTRY** – An ACH entry that withdraws (debits) funds from a Receiver's account.

**ORIGINATOR** – A company that initiates an ACH debit or credit, through an ODFI or Third-Party Sender, to a Receiver.

**RECEIVER** – The company or individual that receives an ACH debit or credit entry from an Originator.

**ODFI (ORIGINATING DEPOSITORY FINANCIAL INSTITUTION)** – UniBank

**RDFI (RECEIVING DEPOSITORY FINANCIAL INSTITUTION)** – Receiver's bank.

**ACH OPERATOR** – The Federal Reserve

**THIRD PARTY SERVICE PROVIDER (TPSP)\*** – An Organization (not an Originator, ODFI, or RDFI) that performs any functions on behalf of the Originator, ODFI and/or RDFI. This can include the creation of files or acting as a sending point or receiving point for a Participating DFI. (An organization acting as a Third-Party Sender also is a TPSP – see next question for current definition) Examples of TPSP: data processing service bureau, correspondent bank, payable through bank, a banker's bank, or even a financial institution acting on behalf of another financial institution.

**THIRD PARTY SENDER (TPS)\*** - As revised in 2014, the definition of a Third-Party Sender is as follows: "A type of Third-Party Service Provider that acts as an intermediary in Transmitting Entries between an Originator and an ODFI, including through Direct Access, and acts on behalf of an Originator or another Third-Party Sender. A Third-Party Sender must have an Origination Agreement with the ODFI of the Entry. A Third-Party Sender is never the Originator for the Entries it transmits on behalf of another Organization. However, a Third-Party Sender of Entries may also be an Originator of other Entries in its own right." (Article Eight, Section 8.98)

*\*If your company originates ACH entries on behalf of an entity other than your own, a third-party agreement is required for compliance with the NACHA Rules. Please contact your account officer for more information.*

**STANDARD ENTRY CLASS (SEC) CODES** – SEC codes assigned to your ACH Entry indicate the type of entry being sent as well as the return rules that apply to that entry (see attached).

**PASS-THROUGH FILE** – An ACH file in NACHA format created by your company's own software and uploaded to UniBank using UniBank's ACH service.

#### **ORIGINATOR RESPONSIBILITIES**

- Obtain proper authorizations from Receivers and maintain copies of the authorizations for two (2) years after the authorization is revoked.
- Send entries on the proper date and cease entries when instructed.
- Check Receivers against OFAC checklists.
- Protect all payment information throughout the process to comply with the NACHA Data Security Rule.
- Ensure your computer is protected per your Master Cash Agreement with UniBank.
- Change Receiver information within (6) banking days after receiving a Notification of Change, or before sending another entry to the same Receiver.

#### **AUTHORIZATIONS FROM CONSUMERS**

- As an originator, you are required to obtain an authorization from a consumer receiver in writing and signed by the receiver or similarly authenticated before initiating a credit or debit entry to his/her account.
- UniBank reserves the right to request a copy of the authorization at any time to verify an ACH entry.

#### **AUTHORIZATIONS FROM BUSINESSES**

- As an originator, you are required to obtain an authorization from a non-consumer (business) receiver before initiating a credit or debit entry to their account. Although the NACHA Rules do not specify that this authorization must be in writing it is highly recommended that it is obtained in writing to support the agreement between your company and your receiver.
- UniBank reserves the right to request proof of an authorization at any time to verify an ACH entry.

#### **OFAC (Office of Foreign Assets Control)**

- OFAC lists countries, groups, and individuals that United States companies may not send funds to or receive funds from.
- You are required to check your receivers against the OFAC compliance checklist before initiating ACH Entries. You may check the OFAC Specially Designated Nationals and Blocked Persons list at: <http://sdnsearch.ofac.treas.gov>
- The Bank must protect itself by informing every customer that it is against the law to send debit or credit entries to OFAC-blocked entities. This is also noted in your UniBank Master Cash agreement.

#### **PRE-NOTIFICATION (PRENOTE)**

- A pre-note is a zero dollar ACH entry sent with the purpose of verifying the account information of the receiver.
- The Receiving Bank is not required to validate the name of the receiver on the pre-note, it is only required to verify the account number.
- Pre-notes are not mandatory; however, if a pre-note is sent, a live dollar entry may not be sent for at least three (3) banking days.

## **CHANGING THE DATE OR AMOUNT OF ACH DEBITS**

- You must notify your business and consumer Receivers seven (7) calendar days before the effective date of the recurring ACH Debit entry if the date of the entry will change.
- You must notify consumer receivers ten (10) calendar days before the effective date of the recurring ACH Debit entry if the amount of the entry will change.

## **RETURNS**

- An ACH entry may be returned to your company for administrative reasons, such as an incorrect account number, or if the Receiver claims the entry is unauthorized.
- If an entry is returned as unauthorized, you must cease initiating entries to that Receiver and obtain a new authorization before sending additional entries.
- An entry returned to you for insufficient or uncollected funds may be reinitiated up to two (2) times within 180 days. It is in violation of the NACHA Rules to re-initiate a debit entry if a return is received for any other reason.
- You must maintain a return ratio of less than 3% for administrative returns and less than 0.5% of unauthorized returns during a 60 day period (see attached for list of return codes).
- If your company exceeds the 3% or 0.5% return ratios, UniBank reserves the right to suspend ACH services.

## **REVERSALS**

- Per the NACHA Rules, reversals are only allowed due to wrong dollar amount, wrong account number, or duplicate transaction.
- Reversals may only be sent within 5 banking days of effective date of the original entry.
- The NACHA Rules state that your company must make a reasonable attempt to notify the Receiver of the reason for the reversal before the effective date of the reversing entry.
- Reversals are created by UniBank – please contact your account officer if you would like to request a reversal.

## **NOTICE OF CHANGE (NOC)**

- When ACH Entry information is incorrect, the receiving bank sends a Notification of Change (NOC) to UniBank to request that future entries to the Receiver contain correct information (see attached list for Change Codes).
- UniBank will notify you within two (2) banking days if an NOC is received for your company.
- For future ACH entries to the receiver, the change must be made within 6 banking days or before the next entry is sent.

## Standard Entry Class (SEC) Codes

| Code       | Title                                 | Description                                                                                                                                               | Consumer or Business            | Debit/Credit    |
|------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------|
| <b>PPD</b> | Prearranged Payment and Deposit Entry | Recurring entry for all direct deposit of payroll, pension, etc., or for direct payment of recurring bills such as utilities, loans, insurance, etc.      | Sent to Consumer Accounts only. | Debit or Credit |
| <b>CCD</b> | Corporate Credit or Debit             | The transfer of funds between business accounts or to consolidate funds from several accounts of the same business. May have one addenda record attached. | Sent to Business Accounts Only  | Debit or Credit |
| <b>CTX</b> | Corporate Trade Exchange              | A business entry with up to 9,999 addenda records attached.                                                                                               | Sent to Business Accounts Only  | Debit or Credit |

## Return Entry Codes

| Unauthorized Returns |                                                                                                    |
|----------------------|----------------------------------------------------------------------------------------------------|
| <b>R05</b>           | Unauthorized Debit to Consumer Account Using Corporate SEC Code                                    |
| <b>R07</b>           | Authorization Revoked by Customer                                                                  |
| <b>R10</b>           | Customer Advises Entry is Unauthorized, Improper, Ineligible, or Part of an Incomplete Transaction |
| <b>R29</b>           | Corporate Customer Advises Not Authorized                                                          |
| <b>R51</b>           | Item Related to Re-presented Check (RCK) Entry is Ineligible or RCK Entry is improper              |

  

| Administrative Returns |                                       |
|------------------------|---------------------------------------|
| <b>R02</b>             | Account Closed                        |
| <b>R03</b>             | No Account / Unable to Locate Account |
| <b>R04</b>             | Invalid Account Number                |

## Notification of Change Codes

|            |                                                                |
|------------|----------------------------------------------------------------|
| <b>C01</b> | Account Number                                                 |
| <b>C02</b> | Routing/Transit Number                                         |
| <b>C03</b> | Account Number and Routing/Transit Number                      |
| <b>C04</b> | Transaction Code                                               |
| <b>C05</b> | Account Number and Transaction Code                            |
| <b>C06</b> | Account Number AND Routing/Transit Number AND Transaction Code |

## Transaction Codes

| Transaction Type          | Transaction Code | Pre-note Transaction Code |
|---------------------------|------------------|---------------------------|
| Checking Account – Credit | <b>22</b>        | <b>23</b>                 |
| Checking Account – Debit  | <b>27</b>        | <b>28</b>                 |
| Savings Account – Credit  | <b>32</b>        | <b>33</b>                 |
| Savings Account - Debit   | <b>37</b>        | <b>38</b>                 |