



Dear ACH Origination Client:

The ACH Network is governed by the National Automated Clearing House (NACHA) Operating Rules and Guidelines (Rules). To ensure compliance with current regulations, all ACH Originators must obtain a current copy of NACHA Operating Rules and Guidelines annually. The Rules book may be purchased at www.nacha.org

The Rules apply to all entries and entry data transmitted through the ACH Network. As an ACH Originator, you must comply with and are bound by the Rules.

A summary of ACH Originator Responsibilities is not a replacement or substitution for the NACHA Rules, which 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.
- If requested by the Bank, provide a copy of the authorization. The 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 three (3) 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 Bank's Cash Management Agreement.
- Ensure the Originator is clearly identified as the source of the ACH transaction. Specifically, populate the Company Name Field of the NACHA formatted file with a name known to and readily recognized by the Receiver of the entry.

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 from the employee (if possible).
- The most common SEC (Standard Entry Class) 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 a record of an agreement between the two parties with proof of authorization.
- The most common SEC codes for corporate transactions are CCD or CTX, depending upon addenda origination. These are used for both debit and credit transactions.



Changing Date or Amounts of Debits

- ACH Rules require you to notify your debtors of any changes in the 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 prenote is to verify account information.
- Prenotes are optional for you to send. However, if sent, 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 (NOC)

- A NOC is created by the Receiver's financial institution to notify the originator (via the Bank) that:
 1. Previously valid information in an ACH entry (Direct Deposit/Direct Payment) is now outdated and needs to be changed.
 2. Information in an ACH entry (Direct Deposit/Direct Payment) is erroneous and needs to be corrected.
- The Bank will notify you of any NOCs received on your behalf.
- ACH Rules require the originator to make changes or corrections within three (3) banking days of receiving the information from the Bank or before another entry is sent.
- The Receiving Bank warrants that the information they provide to you is correct.
- The Bank may pass along any fines received based upon your non-compliance.
- The Originator has the option of responding to NOCs for Single Entry (non-recurring) payments. This applies to the following SEC Codes only: ARC, BOC, POP, POS, RCK and XCK entries, as well as TEL and WEB entries bearing a single-entry indicator ("S" or "bank" for TEL and "S" for WEB).



Notification of Change (NOC) Codes (most common)

NOC Code	Reason	Description
C01	Account Number	Account number is incorrect or is formatted incorrectly.
C02	Transit/Routing Number	Due to a merger or consolidation, a once valid routing number must be changed.
C03	Transit/Routing Number and Account Number	Due to a merger or consolidation, a once valid transit/routing number must be changed and the account number structure is no longer valid.
C04	Account Name	Customer has changed name.
C05	Transaction Code	Transaction code is incorrect and this is causing the ACH entry to be routed to the wrong application (demand or savings).
C06	Account Number and Transaction Code	Account number is incorrect or is formatted incorrectly and the transaction code is incorrect causing the ACH entry to be routed to the wrong application (demand or savings).
C07	Transit/Routing Number, Account Number and Transaction Code	Due to a merger or consolidation, a once valid transit/routing number must be changed, the account number structure is no longer valid and the transaction code is incorrect causing the ACH entry to be routed to the wrong application (demand or savings).
C09	Individual Identification Number	The individual id number was incorrect.
C13	Addenda Format	Information in the Entry Detail Record was correct and the entry was processed and posted by RDFI. However, information found in the addenda record was unclear or was formatted incorrectly.

Returns

- Returns must be processed by the Receiving Bank within 24 hours of settlement. Returns that are unauthorized beyond 24 hours are the company’s liability and any disputes may have to be settled outside of the banking network. Review 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 the Bank.
- You may re-initiate a debit entry up to two times if (1) The entry has been returned for insufficient or uncollected funds (Return Reason Code R01 and R09), (2) The entry has been returned for stopped payment and reinitiation has been authorized by the Account Holder, or (3) The Bank has taken corrective action to remedy the reason for the return (Return Reason Code R11).
- The word “RETRY PYMT” must be placed in the Company Entry Description/Batch Header Field to replace the original content of that field transmitted in the original file entry and the contents of the Company Name, Company Identification, and Amount fields of the reinitiated entry must be identical to the contents of the original entry.
- 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.

Return Fees

- You may charge return fees if the ACH entry is dishonored due to insufficient funds (R01) or uncollected (R09).
- A notice of the return fee must be provided to the consumer at the time that the underlying entry is authorized

or the original item is accepted.

- The return fee must be processed as a distinct ACH debit entry, not bundled with the original payment or a re-initiated entry.
 - The ACH entry of the return fee must (1) use the appropriate standard entry class of (PPD), (2) the word “RETURN FEE” must be placed in the Company Entry Description/Batch Header Field, (3) company name filed must be the same name of the originator as the original return entry, (4) the individual name/receiving company name must identify the receiver of the return entry.
 - The return fee must have a settlement date within 45 days of the settlement date of the Return Entry to which it relates.
 - You may only impose one return fee in relation to an underlying entry or item that was returned, whether such return fee is collected via the ACH or otherwise. You may not originate a return fee entry with respect to the return of another return fee entry.
- Disagreements regarding authorization should be handled OUTSIDE of the ACH Network
 - Originators must maintain a return rate below 0.5% for entries returned as unauthorized.
 - Originators can have no more than 3% of your total debit entries returned due to administrative or account data errors.
 - Originators can have no more than 15% of your total debit entries returned for any return reason.

Reversals

- If a reversing entry must be made, please consult the ACH Manager User Guide, or contact Customer Service for instructions.
- Reversals may only be made for the following three conditions:
 - wrong dollar amount
 - wrong account number
 - duplicate transaction
- When initiating a reversal, 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.
- The word “REVERSAL” must be placed in the Company Entry Description/Batch Header Field and if the file is reversing an erroneous file, then a correcting file must be initiated with the reversing file.

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.
- The Bank must protect itself by informing every client that it is against the law to send debit or credit entries to OFAC-blocked entities. You may check the OFAC SDN list at: <https://sanctionssearch.ofac.treas.gov/>



ACH Data Security

Originators, Third-Party Service Providers (TPSPs) and Third-Party Senders (TPs) whose annual ACH volume in year 2020 or after was equal to or greater than two million are required to establish, implement, and update, as appropriate, security policies, procedures and systems related to the initiation, processing, and storage of ACH transactions. That is, these ACH participants are to protect “nonpublic personal information” (e.g., routing number, account number, Social Security Number) used in ACH entries from data breaches and use in fraudulent transactions.

This rule change builds upon those security requirements and explicitly requires large, non-consumer Originators, TPSPs and TPs to additionally protect account numbers being stored electronically by rendering them unreadable. Only account numbers, both consumer and business, used to create ACH entries need to be rendered unreadable while stored electronically. Financial institutions originating ACH payments on their own behalf are excluded from compliance with this additional security obligation.

Right to Audit / NACHA Enforcement Authority

Upon written request, Devon Bank shall have the right to examine your ACH Operations to ensure that ACH data is being processed correctly and that processing is adequate to meet the terms of our agreement and all NACHA Operating Rules. Devon Bank may voluntarily provide NACHA with information such as return data that may be indicative of a potential Rules violation by any of our customers.