

To ensure compliance with current regulations, all ACH Originators have access to a free online version of the National Automated Clearing House Association (NACHA) Operating Rules. The Rules are published annually and are subject to change. The ACH Rules can be accessed at www.achrulesonline.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.

ACH FACTS

- An ACH Originator is any entity that creates an ACH transaction.
- ACH entries are categorized as “consumer” or “corporate”.
- ACH is capable of crediting or debiting checking or savings accounts.
- ACH entries are received by most financial institutions.
- ACH is a batch system (not real time).
- ACH entries are irrevocable once they have been sent for processing.
- ACH stop payments for consumers no longer have an expiration date, as of March 2010. Non-consumer written stop payment orders expire six months from the date of the stop payment order unless 1. it is renewed in writing, 2. the item is returned, or 3. customer withdraws the stop.

ACH ORIGINATOR RESPONSIBILITIES

- 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 Interstate 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 Notification of Change or before another entry is sent.
- When creating an ACH file, the Originator must populate the Company Name Field with the name by which it is known to and readily recognized by the Receiver of the entry.
- Check payees against OFAC compliance checklists.
- Protect the banking information received to originate transactions.
- Ensure your computer and you are protected as outlined in your First Interstate Bank Agreement and also in the Business Online Banking Security Tips available at: <https://bizresources.firstinterstatebank.com/>

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- 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 code for direct deposit is PPD.

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- 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 Interstate Bank recommends that you have the company complete an authorization form.
- Originator must be able to provide proof of authorization or originator contact information for entries to non-consumer accounts (commercial) if requested.
- The most common SEC code for corporate transactions is CCD. It is used for debits or 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: 1. Seven (7) calendar days notice for a change of date (consumer or corporate). 2. Ten (10) calendar days notice for a change in amount (consumer only).
- Sending the notice via U.S. Mail is acceptable.

PRE-NOTIFICATIONS (PRENOTES)

- Prenotes are zero-dollar entries that precede the first live entry. The purpose of a 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 some do; they are only required to verify 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. The ACH Rules require you to make the change within six (6) banking days of receiving the information from First Interstate Bank or before another entry is sent.
- The Receiving Bank warrants that the information they provide to you is correct.
- First Interstate Bank will notify you of any NOCs received on your behalf.
- First Interstate 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. As an originator, First Interstate 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 obtain 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 Interstate Bank.
- The ACH Rules require that Originators must cease the origination of any ACH debit transactions when a previous ACH debit is returned as unauthorized or authorization revoked by the Receiver. The Originator must obtain a new Authorization prior to re-originating any future transaction. ***[Effective October 3, 2016, Originating Depository Financial Institutions (ODFI) will pay a fee for each ACH debit that is returned as unauthorized (return reason codes R05, R07, R10, R29 and R51.) NACHA has set the preliminary fee at \$4.50 per unauthorized return. The fee could be passed on to the originator of the ACH debit transaction.]***
- You may re-initiate a debit entry within 180 days up to two times if you receive a return entry of “NSF or Uncollected Funds.” This gives the Originator a total of three attempts at debiting an account. Re-initiated entries must contain identical content in the Company Name, Company ID, and Amount field. Modifications can only be made to the extent necessary to correct an error or facilitate processing of entry. Re-initiated entries must contain “RETRY PYMT” in the Company Entry Description Field.
- 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

- If a reversing entry must be made, please contact your local Cash Management Representative or the ACH Department at 888-833-3450, Option 1.
- Reversals may only be made for the following three conditions 1. wrong dollar amount 2. wrong account number or 3. duplicate transaction.
- The ACH Rules require the Originator to make a reasonable attempt to notify the Receiver of and the reason for the reversing entry no later than Settlement Date of the reversing entry.
- All ACH Reversal files must be created and submitted by First Interstate Bank.

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 customer that it is against the law to send debit or credit entries to OFAC-blocked entities. This is also noted in your agreement with First Interstate Bank.
- You may check the OFAC SDN list at: **<http://sdnsearch.ofac.treas.gov>**