

ACH Originator Guide

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Provided to you by:



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About the ACH Originator Guide

The Automated Clearing House (ACH) Network is at the center of commerce in the U.S., moving money and information from one Financial Institution to another through recurring and single-entry credit and debit Entries for government, consumer, and business-to-business payments. The ACH Network is one of the world's largest, safest, and most reliable payment systems, creating value and enabling innovation for all participants.

As an ACH Originator with Exchange Bank, your organization must follow all applicable Nacha Operating Rules and Guidelines (“the Rules”) when creating, submitting, and processing ACH Entries and files. The Rules are established by Nacha, an organization that manages the development, administration, and governance of the ACH Network. The Rules include the ACH Network’s legal framework and each participant’s basic obligations. This ACH Originator Guide provides an overview of your role and responsibilities as an ACH Originator. It is designed to serve as a guide to help your organization understand essential industry rules related to originating ACH entries.

Although this material covers various important topics, it is not a replacement or substitute for the Rules.¹ To ensure compliance with current regulations, all ACH Originators must stay abreast of the Rules, including periodic changes. Please contact your branch if you would like to purchase a copy of the Rules.

Please note that failure to comply with the Nacha Operating Rules can lead to termination of services and/or industry fines. Exchange Bank may contact your company periodically to verify your internal ACH procedures and policies. Upon review of the ACH Originator Guide, we encourage you to call us at 707-524-3000 with any questions or concerns.

¹ Nacha owns the copyright for the Nacha Operating Rules and Guidelines. Additional information can be found at www.nachaoperatingrulesonline.org or may be purchased through www.wespay.org.

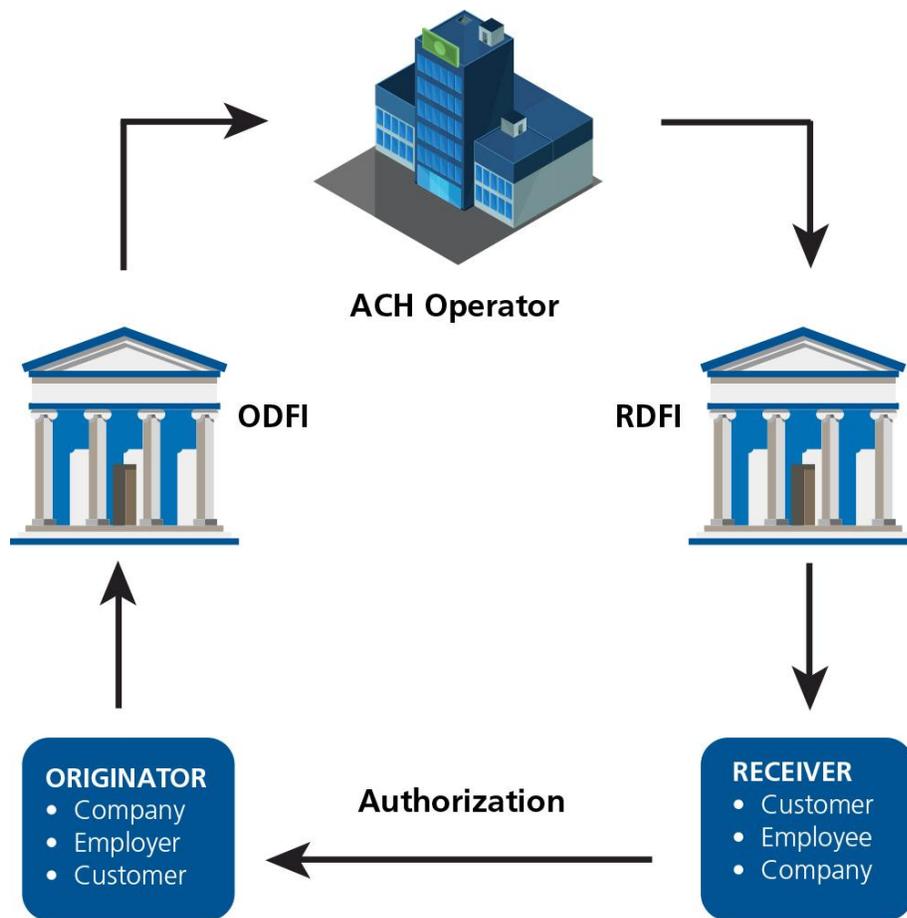
ACH Overview

ACH Main Participants & Key Definitions

The ACH Network is a batch processing system in which financial institutions accumulate Entries throughout the day for later transmission. Rather than using paper to carry necessary payment information, such as with checks, ACH entries are electronic, allowing faster processing times and cost savings. There are many use cases for ACH; the most common use cases include paying vendor invoices, payroll direct deposits, and collecting funds for consumer bill payments.

ACH Network Participants

The participants of the ACH Network are outlined below:



Originator (you): The Originator is the entity that initiates the ACH entry, either credits or debits, according to an arrangement with or authorization from the Receiver (see definition below).

Originating Depository Financial Institution (ODFI): The ODFI is the Financial Institution that has an agreement with the Originator to provide origination services. Exchange Bank is acting as your ODFI when it receives your payment instructions and forwards the Entries to the ACH Operator. Your business account with Exchange Bank will be debited or credited for the Entries submitted for processing.

ACH Operator: An ACH Operator is a central clearing facility that receives ACH entries from ODFIs, distributes them to appropriate RDFIs (see definition below), and performs the settlement functions between financial institutions. The ACH Operator also performs some editing functions, ensuring that mandatory information required in ACH Entries is included. There are currently two ACH Operators in the U.S.: The Federal Reserve Bank and the Electronic Payments Network (EPN).

Receiving Depository Financial Institution (RDFI): The RDFI is the financial institution that accepts ACH entries from the ACH Operator and posts them to the accounts of its Receivers (see definition below). The RDFI provides information regarding each ACH entry to the Receiver via their periodic statements, online banking systems, and the like.

Receiver: A Receiver is a consumer or business that has authorized an Originator to initiate an ACH entry to their account with the RDFI. For example, an employee is the Receiver of a direct deposit of payroll from their employer, the Originator and a borrower is the Receiver of a debit entry that they authorize an Originator to debit from their account. The Rules require the Receiver to have authority to authorize entries to the Receiver account.

Laws, Rules & Regulations Governing ACH

The Rules primarily govern the ACH Network. Various Federal Government regulations, such as the Uniform Commercial Code, Regulation E, The Code of Federal Regulations Title 31 CFR Part 210 (Green Book), and the Office of Foreign Assets Control (OFAC), also apply to ACH entries. The Rules incorporate these requirements and serve as the primary source for ACH-specific requirements. More information about other rules and regulations that govern ACH entries can be found in Exhibit J of this guide.

Your Warranties and Liabilities

When originating ACH entries, your organization and Exchange Bank have liabilities and make specific warranties related to those Entries. As an Originator, you agree to and warrant the following which Exchange Bank has outlined these within your ACH Origination Agreement:

- You authorize Exchange Bank to originate entries to Receivers' accounts.
- You agree to be bound by the Rules as amended from time to time.
- You agree not to originate entries that violate the laws of the United States.
- You agree that Exchange Bank may terminate or suspend ACH origination services for your breach of the Rules or the ACH Origination Agreement.
- You agree that Exchange Bank may audit your compliance with the Rules and/or the ACH Origination Agreement.
- The correct SEC Code has been used based on the type of Receiver and the method you collected authorization.
- All entries are authorized by a Receiver.
- Before originating an entry,
 - The Receiver has not notified you that they have revoked the authorization.
 - The authorization for the entry has not been terminated, in whole or in part, by operation of law.
- You make no warranty related to the goods or services to which the entry relates. For example, the Rules do not allow a Receiver to dispute a debit entry to their account due to non-delivery or an issue with goods or services they purchased from you.
- All sensitive banking information related to the entry is secured during transmission and at rest (e.g., files on servers or computers are protected, physical authorization forms are in a locked drawer/cabinet, etc.).
- You will let us know if you are or will begin to originate ACH entries on behalf of another entity or company.

Consumer vs. Corporate Entries

All ACH entries are categorized as either consumer or corporate, depending on the Receiver's account type. There is a three-letter code within the details of every ACH entry called the Standard Entry Class (SEC) code that identifies the type of Receiver and how the Receiver authorized the entry. More information about SEC Codes is provided in the next section of this guide.

Corporate Entry: Corporate payment generally refers to any entry to a non-consumer account and includes corporations, businesses, government/public sector, and non-profit organizations. Furthermore, cash concentration and disbursement allow companies to achieve cash management efficiencies through intra-company funds transfers. Corporate trade payments, also known as B2B payments, are used to send funds as well as optionally send/attach one or more Addenda Records that contain remittance or invoice information for trading partners. The details in the records facilitate

automated updates of the receiver's accounts receivable system, with the Addenda Details indicating how the funds should be applied.

The Addenda Record(s) are most commonly formatted according to ANSI ASC X12/EDI standards so that the Receiver's system can interpret the content automatically. Details regarding these standards can be found in Appendix One, Part 1.4 of the Rules.

Originators can also populate Addenda Records with free-form details; many receiving financial institutions will make that free-form content available to receivers on financial institution reporting. For example, suppose your organization is paying a supplier for parts and needs to identify the serial numbers for the parts purchased. In that case, you could include them within the Addenda Record of an ACH entry so the Receiver can apply the funds to the appropriate record.

Consumer Entry: Consumer payments made via ACH include both credit and debit entries. Common types of ACH credits include payroll, employee expense reimbursements, dividend disbursements, interest and annuity payments. For ACH debits, common types of entries include the collection of membership dues, mortgage and rent payments, insurance premiums, and installment payments.

Important Differences: A key difference between corporate and consumer entries is related to debit entries and the timing requirements for when an RDFI can return them. The return timeframes for both consumer and corporate entries related to administrative reason types (e.g., non-sufficient funds, account closed, stop payment, etc.) are the same. An RDFI is required to return any entry for those reasons within two banking days from the original settlement date of the entry.

The two-banking day return timeframe also applies to unauthorized corporate entries to corporate accounts. In some cases, a corporate entry can be returned outside of that timing, and Exchange Bank will communicate with you to conduct further investigation related to the dispute.

Consumers are given different protections under the Rules and Regulation E, allowing extended timeframes to dispute debit entries to their accounts. A consumer can dispute a debit entry to their account up to sixty (60) calendar days from the original settlement date of the entry.

In some exceptional cases you may receive returns or claims for Returns after these timeframes. In such cases, Exchange Bank will communicate with you to request a copy of proof of authorization for the entry or entries and conduct further investigation related to the dispute.

Standard Entry Class Codes

Every ACH entry is identified and recognized by a unique three-character code called the Standard Entry Class (SEC) code. The SEC Code identifies:

- The method by which authorization was obtained from the Receiver;
- The nature of the entry as being destined to either a consumer or corporate account;
- The specific format to be used for the entry and payment-related information relevant to the entry.

The Rules define the specific requirements and parameters for each SEC Code. For example, some codes may only be used for consumer entries, while others are exclusive to corporate entries. As an Originator, you are responsible for using the appropriate SEC Codes for your entries as defined by the Rules. Please note that some SEC Codes, may require special approval from Exchange Bank. (See Exhibit B for a list of supported SEC Codes.) For ACH debit entries destined for a corporate account, utilize the CCD (Corporate Credit or Debit) SEC code.

Company Entry Description

The Company Entry Description provides a description of the ACH entry that is displayed on the Receiver's (i.e., employee or vendor) statement when the payment is posted. The Rules require Originators to include a descriptive statement with each entry to describe the purpose of the payment. For most entries, the Originator can choose its own Company Entry Description for entries it transmits. However, starting in 2026, the Rules will require Originators to utilize two newly defined Company Entry Descriptions: PAYROLL and PURCHASE. The standardization of these descriptions can help parties in the ACH Network identify, monitor, and count the volume of payments for a specific purpose, all of which can help mitigate risk.

Standard Company Entry Description – PAYROLL

This rule establishes a new standard description for PPD Credits for payments of wages, salaries and similar types of compensation. The Company Entry Description field must contain the description PAYROLL. This rule is intended to reduce the incidence of fraud involving payroll redirections.

Originators must comply with these descriptions by the rule's effective date; March 20, 2026. This date is a "no later than" date; Originators may begin using the descriptions as soon as practical.

Authorization Requirements

One of the most important warranties you make as an Originator when creating ACH entries is that you have obtained proper authorization to debit or credit Receiver(s). Authorizations can take a variety of forms, such as;

- A document signed by the Receiver
- A form the Receiver completes over the Internet
- A recorded telephone call
- A check that a consumer writes, which is converted into an ACH debit entry

The Rules provide the requirements for each type of authorization used. The Rules stipulate the specific language, security controls, and/or notifications you must provide the Receiver as a form of receipt for the authorization. Additional information about the authorization requirements is included in Exhibit H.

Credit Authorizations: Originators that send credits to Receivers are not required to obtain written authorization from the Receiver. As an Originator, you need to collect the Receiver's banking account information in some form to enable you to input this information into the ACH entry, but there are no formal Rules requirements for credit authorizations. However it is best practice to obtain such authorizations in writing to provide an audit trail between your organization and the Receiver and help reduce the potential for fraudulent account information.

Debit Authorizations: Conversely, when you originate debit entries to Receivers, you must obtain a written or similarly authenticated authorization. A debit authorization can take a variety of forms (e.g., paper form, over the Internet, by telephone, converted check, etc.); and must have clear and readily understandable terms. At a minimum, the Rules require authorizations to contain the following:

- A statement of whether the authorization is for a single entry, recurring entries, or one or more future entries
- The dollar amount of entries or how the amount is determined (such as referring to a monthly account statement)
- The timing, including the start date and frequency of the entries
- The Receiver's name or identity
- The account to be debited
- The date of the authorization
- Instruct the Receiver how they can revoke the authorization with your organization

Consumer Authorization Requirements for Variable Amounts or Dates

Authorizations for static amounts, single entries, or regularly recurring debits are straightforward. However, when the Originator needs to obtain authorization from the Receiver for recurring payments that can be different each month (e.g., variable dollar amounts), then the Rules require the Originator to provide the Receiver with written notice at least ten calendar days prior to the scheduled debit.

As an alternative to sending a notice every time the recurring debit amount changes, Originators can include a defined dollar range in the original authorization, as long as the Receiver authorizes that range. There could be a cap above which the Receiver can opt to receive special notice but providing a range of amounts or logic on how the recurring debit amount will be calculated in the original authorization can help to streamline the authorization process and not require the Receiver to have to give authorization each month.

If an Originator needs to change the date for the debit, they must send a written notice to the Receiver of the new date at least seven (7) calendar days before the first entry posts. The Rules do not consider variation in debiting dates due to weekends or holidays to be changed to scheduled dates. Written notice may include electronic communication options.

Authorization Best Practices

- For any SEC code or form of ACH authorization, require that the Receiver completing the authorization select whether the account is a consumer/retail account or a business/corporate account. Making that clear will help you in using the proper SEC code.
- For any authorization, indicate to the Receiver what occurs if a date for a recurring debit or payment falls on a weekend or holiday. You cannot debit a consumer earlier than agreed to, so entries are typically debited on the following business day if the authorized date is on a weekend or holiday.
- It is important to note that there are different Nacha file formatting requirements for each type of authorization used. You are responsible for ensuring the assigned SEC Code of the ACH entries you originate aligns with the authorization obtained from Receivers. Specifics regarding ACH file formats are addressed later in this guide.

Retention and Provision of the Authorization

The Rules require that you must retain the original or a copy of each authorization for two (2) years from the termination or revocation of that authorization. The Rules also provide Receivers or their RDFI the right to request a copy of the authorization from the ODFI within ten (10) business days. When one of your Receivers or an RDFI requests a copy of the authorization the Originator will be asked to provide the copy within 5 business days. If such a request is received, Exchange Bank will communicate that to your organization and give you more details on how to provide the proof of authorization.

The Rules allow you, as an Originator, to respond differently to requests for proof of authorization, depending on whether the Receiver is a consumer or business. For consumer Receivers, the Originator must provide a copy of the actual authorization. For business Receivers, the Originator has the option of providing the contact information for the Originator that includes the Originator's name, phone number, or email address for inquiries regarding authorizations.

It is important that you have a procedure and methodology to retain and catalog authorizations for at least the required two-year period following termination or revocation. Responding timely and accurately to an RDFI's request for proof of authorization can help an Originator prove it had proper authorization to debit a Receiver and avoid the potential of returned entries.

Standing Authorizations

The Rules allow Originators to obtain a Standing Authorization from a Receiver to facilitate the authorization of future entries. For instance, a Receiver who makes purchases from an Originator at inconsistent intervals and irregular dollar amounts pays for such purchases via an ACH debit. In such cases, a recurring authorization may not be sufficient due to the irregularity of the entries. A Standing Authorization allows an Originator to obtain the Receiver's banking information used for future entries, but the Receiver has to authorize future entries, known as Subsequent entries.

The key difference between Standing Authorizations and Authorizations for variable dates and amounts is that a Standing Authorization requires a Receiver to proactively authorize future entries, while a recurring authorization does not require any future action from the Receiver.

ACH Processing Limits

ODFIs (Originating Depository Financial Institutions) are required to set processing limits for their Originators. Processing limits are risk exposure thresholds Exchange Bank sets to determine whether the ACH entries submitted are within approved guidelines. ACH credit limits are typically tracked separately from ACH debit limits. If you are not originating ACH debit entries, your organization will not have an ACH debit origination processing limit. The ACH processing limits establish the cumulative maximum dollar amount of originated entries allowed.

As part of the Rules, Exchange Bank must monitor your ACH origination activity to the limits established for your account. Your ACH entries may be paused should limits be exceeded, so it is important to provide contacts, even off-hours contacts, should we need to reach you about an issue.

If your company is anticipating an increase in the dollar amount of your ACH entries, you should proactively contact the Customer Care Center to discuss the situation and evaluate either a temporary or permanent limit adjustment based on the situation. Please note that additional scrutiny, including credit approval, may apply to a requested limit change.

Lastly, be aware that Exchange Bank will periodically review your originated activity compared to established limit thresholds and will contact you to discuss any recommended changes.

ACH Entries and Exceptions

ACH File Format

All files and entries processed and exchanged within the ACH Network are required to meet specific formats, as prescribed by the Rules, to allow for standardized programming and efficient processing.

When you originate a file by using Exchange Bank's Business Online Banking service by manually entering information, our system will automatically generate a file formatted to the requirements of the Rules. Exchange Bank's Business Online Banking service allows your authorized users to use templates, importing and/or Nacha file uploads (pass-thru).

The following is a summary of the three main types of records within a Nacha file and the important fields within each:

Entry Detail Records: This record contains all the receiving financial institution account information that you, as an Originator, must obtain from the Receiver in the authorization. It includes designating the entry as a debit or credit, the routing transit and account number of the Receiver's bank account, and an indicator of the Receiver's account type (e.g., checking, savings, etc.). The Receiver's name is required for each entry, in addition to a 15-digit field titled "Individual Identification Number," which allows

ACH Prenotifications

An ACH Prenotifications (Prenotes) are zero-dollar (\$0) entries used to help validate that you have the correct bank account information from the Receiver before sending live-dollar entries. Please note that the RDFI is not required to validate the name of the Receiver on the Prenote, only that the account number is valid.

Prenotes are optional but recommended, especially for recurring ACH entries. If you are new to Exchange Bank for ACH origination processing, you may choose to originate one-time prenotes of your existing Receivers before sending live dollar ACH entries. This is a good test of the origination implementation, and you may find through the ACH returns and NOC reporting that some of the Receiver's information needs to be updated.

If you choose to transmit Prenotes, you may initiate live-dollar entries as soon as the third (3rd) Banking Day following the Prenotes Settlement Date, provided that it has not been returned, nor has Exchange Bank been notified of a correction to the information. If Exchange Bank receives a returned entry or correction request, we will notify you upon receipt, and you must correct your records before initiating further live-dollar entries. You may submit another Prenote after making your corrections, but it is not required. Please note that the RDFI is not required to validate the name of the Receiver on the Prenote, only that the account number is valid.

Aside from being a zero-dollar (\$0) entry, Prenotes have the same formatting requirements as live-dollar entries and require the use of unique transaction codes identifying them as Prenotes.

The following chart includes transaction codes by account and transaction type. Note that debit entries to loan accounts are not permitted.

Account & Transaction Type	Standard Entry	Prenote Entry
Checking Account Credit	22	23
Checking Account Debit	27	28
Savings Account Credit	32	33
Savings Account Debit	37	38
General Ledger Credit	42	43
General Ledger Debit	47	48
Loan Account Credit	52	53

Notifications of Change

A Notification of Change (NOC) is a non-monetary entry transmitted by an RDFI to the Originator through Exchange Bank as the ODFI. It is created when the RDFI receives a Prenote or a live-dollar entry that contains incorrect information or when an RDFI is going through an acquisition or merger. An NOC does the following:

- Identifies the entry that has been received at the RDFI;
- Pinpoints the specific information on that entry that is incorrect; and
- Provides the correct information in a precise format so the Originator can make the change.

The RDFI sending the NOC is responsible for the corrected information, and the RDFI indemnifies other ACH participants when they rely upon the information to make changes. As an Originator, you must respond to NOCs by investigating incorrect data and making corrections within six (6) Banking Days of receipt or before originating another entry to the Receiver's account, whichever is later. Failure to change or correct the errors identified on the NOCs could cause subsequent entries to that account to be delayed or returned and expose your company and Exchange Bank to industry fines. Exchange Bank may pass along any fines incurred due to your non-compliance.

All NOCs are defined by change codes, which describe the error that needs to be corrected. NOC codes generally fall into two categories:

- An error in the account information, which indicates that the RDFI received the entry, but the account or information regarding the Receiver was incorrect. Changes must be made so that the RDFI can handle future entries appropriately.
- An error in the routing of the entry

The most common change codes are listed below. For a list of additional codes, please refer to Exhibit F of this guide or, for a list of all possible change codes, refer to Appendix Five of the Rules.

Code	Description
C01	Incorrect Account Number
C02	Incorrect Routing Number
C03	Incorrect Routing Number and Incorrect Account Number
C05	Incorrect Transaction Code
C13	Addenda Format Error

Returned Transactions

ACH entries can be returned to an Originator for several valid reasons, including non-sufficient funds, invalid account number, unauthorized, and other reasons. Most returns are received within two (2) Banking Days of the entry's original Settlement Date and will create an adjustment entry to your designated business account with Exchange Bank. Upon receipt of a returned ACH entry, Exchange Bank will notify you promptly.

Some ACH return reasons allow for extended deadlines. Consumers can dispute and return entries for a revoked authorization or as unauthorized for up to sixty (60) calendar days from the original statement date of the entry. If the RDFI receives a dispute claiming a debit was unauthorized, it must obtain a signed form called a Written Statement of Unauthorized Debit (WSUD) from the Receiver. You may request a copy of the form related to any such returns you receive by contacting the Customer Care Center.

Each ACH return will contain a return code that describes the reason for the return. The most common Return Reason Codes are listed below. For a list of additional codes, reference Exhibit E of this document, or for a list of all possible Return Reason Codes, refer to Appendix Four of the Rules.

Code	Description
R01	Insufficient Funds
R02	Account Closed
R03	No Account / Unable to Locate Account
R04	Invalid Account Number
R06	Returned Per ODFI Request
R07	Authorization Revoked by Customer
R08	Payment Stopped
R09	Uncollected Funds
R10	Customer Advises Originator is Not Known to Receiver and/or Originator is Not Authorized by Receiver to Debit Receiver's Account
R11	Customer Advises Entry Not in Accordance with the Terms of the Authorization
R29	Corporate Customer Advises Not Authorized

Options for Receiving Returns and Notifications of Change

You will receive prompt advice of all Returns and NOCs from Exchange Bank. Before making any adjustments to your account, Exchange Bank may validate all received Returns and NOCs to ensure that your organization originated the original entry.

Exchange Bank offers the following options by which your organization can receive information about returned entries and notifications of change.

- **Secure Message via Business Online Banking**
- **EDI reports via encrypted email**

For an example of the Return and NOC notices, please refer to Exhibit G of this guide.

Reinitiation of Return Entries

An RDFI can return debit entries if insufficient or uncollected funds are in the Receiver's account. These Returns are unique because the entries can be reinitiated, subject to certain timing and frequency limitations.

The Rules impose a limit on the number of times an entry returned for either of these reasons may be reinitiated; a maximum of two (2) times following the Return of the original entry (i.e., originated a maximum of three (3) times). In addition, the Rules permit reinitiation if:

- the entry was returned for non-sufficient or uncollected funds;
- the entry was returned for stopped payment, and reinitiation has been authorized by the Receiver; or
- the Originator has taken corrective action to remedy the reason for the Return.

Outside of the limited circumstances stated above, the Rules explicitly prohibit the reinitiation of other entries. The Rules also clarify three categories of entries that are not considered reinitiations:

- (1) A debit entry in a series of preauthorized recurring entries will not be treated as a reinitiated entry, even if the subsequent debit entry follows a returned debit entry, as long as the subsequent entry is not contingent upon whether an earlier debit entry in the series has been returned. For example, if a consumer authorizes the minimum amount for a payment plan to be paid monthly via recurring debits and the consumer's debit entry for the September minimum payment is returned for insufficient funds, the debit entry for October's minimum payment would not be considered a reinitiation of the returned September entry.

- (2) A debit entry is not considered a reinitiation if the Originator obtains a new authorization for the debit after the receipt of the Return. For example, suppose an Originator has twice attempted to re-present an entry returned as non-sufficient funds and the consumer later provides a new authorization because they now have funds in their account. In that case, the Originator is permitted to debit the account.
- (3) An entry that has been returned due to invalid or incorrect routing and account information is not considered to be a reinitiated entry when corrected and subsequently transmitted into the ACH Network. By definition, a reinitiated entry is to the same Receiver's account. In this situation, a new entry with corrected routing and/or account number information would be the first presentment to the correct account is not a reinitiated entry. Since there was no previous attempt to post the entry to the correct Receiver's account, classifying this entry as reinitiated may confuse the Receiver.

Submitting an ACH Reversal Request

Originators sometimes determine that they need to correct a duplicate or erroneous file, or an erroneous entry previously initiated and processed by Exchange Bank. Per the Rules, processed entries can be reversed on a per file, batch, or entry level. However, Reversal requests can only be initiated within five (5) Banking Days of the entry's original Settlement Date. Any Reversal requests received after the expiration of such period will not be honored.²

Reversals are considered to be new entries and can be returned by the RDFI." Please note when sending out ACH debit reversal(s) that your settlement account will receive credit for the outgoing ACH debit entries, Exchange Bank cannot guarantee that the reversal(s) will not be returned. Originators of credit entries must take special care to ensure that no entries are sent to unintended Receivers. Your company should not rely on the Reversal process to recover funds, as RDFIs are not obligated to post the reversing debits if they overdraw the Receiver's account or the account is closed.

² If the effective date of your original processed entry or batch is beyond the five (5) banking days, your authorized ACH company contact may contact Exchange Bank to address the entry. Not all RDFIs honor Reversals, and there is no guarantee that funds will be returned. For Reversal assistance, call 707-524-3000.

When you request that Exchange Bank reverse an entry, the Rules require that you “make a reasonable attempt to notify the Receiver of the Reversing Entry and the reason.”³ This notice must be provided no later than the Settlement Date of the Reversal. If these criteria are not met, Exchange Bank can only request that the RDFI return the entry.

Submitting an ACH Recall Request

If it is beyond the five (5) settlement days allowable for reversal(s), you may request that Exchange Bank initiate a recall request on your behalf. Typically, requesting funds to be returned from a previous ACH credit entry is a manual request made by you, which is initiated with an indemnification by you to Exchange Bank and then Exchange Bank indemnifying the RDFI. The request must be on your organization’s letterhead, signed by an authorized account signer, and have specific language that is the model of an agreement found in the Rules (Section VII – Appendix P Indemnification Agreement).

If you have questions about reversing ACH entries or files you have submitted or ACH Recalls, please contact Exchange Bank’s Customer Care Center.

Origination File Delivery Deadlines & Cutoff Times

All ACH entry requests must be completed by the established cutoff times for processing to occur on the same business day. Any entry completed and received by Exchange Bank after such cutoff times or on any non-business day will be processed the following business day. The cutoff times noted below apply to business days, excluding federal holidays.

Next-Day Processing or Future-Dated Requests: For processing that can result in payment settlement and receipt as early as the next day, the deadline **is:**

ACH Origination: 4:00 PM PST

³ A Receiver must be notified if a reversing entry debits their account; however, a Receiver does not need to authorize the reversing debit entry.

Holiday Processing Schedule

Exchange Bank observes Federal Reserve Bank holidays as non-processing days for ACH entries. All ACH files and other online funds transfers will not be processed on days that Exchange Bank is closed. In the event the requested Effective Entry Date falls on a weekend or holiday, processing will be deferred until the next available business day.

The holiday schedule below lists dates that Exchange Bank will be closed for ACH processing, corresponding to the dates the Federal Reserve Bank is closed. Please make note of these dates, as they may require a change to your normal ACH processing schedule.

Federal Holiday Schedule⁴

Note: If your Financial Institution observes other holidays in which support for Originators will be limited or unavailable, include those dates in the table below (e.g., day after Thanksgiving Day, Christmas Eve, New Year's Eve, etc.).

Observed Holiday	Official Date
New Year's Day	January 1
Martin Luther King, Jr. Day	Third Monday in January
Presidents Day	Third Monday in February
Memorial Day	Last Monday in May
Juneteenth National Independence Day	June 19
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veterans Day	November 11
Thanksgiving Day	4th Thursday in November
Christmas Day	December 25

⁴ When the holiday falls on a Sunday, it is observed on the following Monday.

Mitigating Fraud Risk

Fraud schemes and attacks are inevitable for most businesses and represent a serious threat to you and your accounts. Fraud statistics continue to grow year-over-year and electronic methods of generating payments are increasingly targeted. Exchange Bank's goal is to create awareness for our Originators and to partner with you to mitigate the risk of fraud through commercially reasonable security parameters and regularly sharing tips and best practices that you can utilize to reduce your risks. Combating fraud is a team effort.

Below are select guidelines and best practices to employ within your organization to effectively mitigate the risk of fraud. Please contact your Customer Care Center with any questions or to discuss additional ways to proactively minimize your risks.

- **Implement dual controls:** Dual control is one of the most effective fraud deterrents in a layered security approach and can help protect your business accounts from the risk of fraud. Exchange Bank recommends dual controls within our online systems to help your company maintain separation of duties for creating and approving ACH entries. In addition, you should consider requiring all payments or user modifications initiated by one user to be approved by a separate user or administrator on a different device.
- **Establish ACH entry limits:** Exchange Bank establishes limits for each Originator, but your company can further minimize the amount of funds at risk in the event of a breach by setting ACH entry limits on specific users, accounts, or ACH types. For example, if your payroll clerk only needs to access direct deposit of payroll for employees, set that user's ACH limit according to the standard amount of your staff's pay.
- **Establish customized user privileges and entitlements:** ACH entry rights should be limited to personnel with an appropriate business need for functionality. Some users may only need access to the origination tool for credits or debits, but perhaps not both. Your company should ensure that all individuals with access to ACH origination receive the training necessary to understand their responsibilities and utilize the program per the applicable policies.
- **Protect your company and user access credentials:** Your company representatives should never give out passwords, identification, token codes, or other authentication credentials. Train your staff that should they receive an email, phone call, or text message claiming to be from Exchange Bank, Nacha, or another similar organization asking for their credentials, it is most likely a fraud attempt. Please report the incident to Exchange Bank immediately.

- **Educate your employees:** Your employees can be your best defense against fraud. Remind your team to:
 - Not click on links purporting to be antivirus or anti-malware software without further scrutiny
 - Not download files from unknown sources,
 - Not click on suspicious or non-business-related links,
 - Not respond to on-screen pop-ups, especially those asking them to enter their contact information, online credentials, or the like.

In addition, train your employees to scrutinize any payment request, including those that may appear to come from company executives. The employee should always verify the validity of the request through out-of-band means, such as calling the requestor via contact information already on file versus responding to an email request.

- **Verify your vendors' account number changes:** Require that all changes to vendor payment account numbers be made in writing on the vendor's letterhead and verified with a call to the vendor's telephone number in your files. It is helpful to always double-check the change to payment instructions before initiating and approving the request.
- **Perform Daily Reconciliation and Monitoring:** It is also important for your organization to monitor your accounts daily. Reviewing account transaction activity and ACH activity reports will ensure that you are aware of all entries, even when they have not yet been posted to your account. The sooner fraud can be detected, the more successful Exchange Bank will be in assisting in recovering your company's potentially lost funds.
- **Strengthen your internal controls to protect your computers from malware:** Due to the high risk of this type of fraud, all computer equipment used by your organization to operate Exchange Bank's ACH origination program must be regularly updated and patched for security vulnerabilities, including the use of and updating of firewalls, virus protection, anti-malware protection, and anti-spam protection. Exchange Bank recommends having a dedicated computer not used to browse the Internet or read email to be the sole source of access to Business Online Banking. This helps avoid the accidental downloading of harmful programs or viruses that could potentially compromise your entries.

Due to the risks inherent in processing electronic funds transfers, Exchange Bank suggests that your company perform an internal risk assessment and an evaluation of your controls periodically to ensure you are considering and leveraging all available security options to your company.
- **Be proactive.** Please notify Exchange Bank immediately if you experience a fraud attempt or breach so we can work together to remedy the situation, change passwords, etc. Also, please notify your Branch or Customer Care Center of any changes to your online users with access to accounts, ACH origination, etc. It is important that terminated employees or users that no longer need access to

these services be disabled timely.

Fraud Monitoring Requirements

Beginning in 2026, the Rules will require Originators to implement risk-based processes to identify and prevent fraudulently originated ACH entries. This means you must review outgoing entries to detect scams such as business email compromise and fake invoices. You may already use tools like anomaly detection or fraud “flags”, but it is important to evaluate and update your processes to ensure compliance with these new requirements.

The rule will be implemented in two phases:

Phase 1 – Effective March 20, 2026, for Originators with ACH volume greater than 6 million entries in 2023

Phase 2 – Effective June 19, 2026, this will apply to all other Originators that did not fall into Phase 1

Most ACH originations are recurring (same employee, vendors, utilities). Focus on situations that differ from your normal pattern:

1. New Receivers
 - a. Perform due diligence
 - b. Verify identity
 - c. Transmit account information securely with encryption
2. Existing Receivers with sudden account changes
 - a. Confirm using contact information on file (not from a suspicious email)
 - b. Apply Know Your Customer (KYC) checks

Receiver authorizations must be signed or similarly authenticated and are legally binding. Unsecured communication such as email or text, both unencrypted and unsecure, does not fit compliance with applicable legal requirements.

Examples of acceptable ACH credit authorizations:

- Written authorization form
- Secure HR portal
- Voided physical check

Best Practices:

- Use micro-entries to validate account details and build trust with Receivers
- Watch for atypical activities, such as:
 - New payment recipients
 - Sudden account changes
 - Unusual dollar amounts
 - Multiple payments to same Receiver
 - Usual email addresses asking for payments to be sent to a different account

Nacha Rule Changes

Each organization originating ACH entries through Exchange Bank must comply with the Rules as stated within the ACH agreement between Exchange Bank and your organization. Exchange Bank will communicate any applicable Rule changes to ensure that our Originators are educated and make any necessary changes to daily processes as a result. As an Originator, your organization is required to stay updated and comply with the Rules, including changes.

The Rules are subject to change periodically. To access a complimentary, basic copy of the Nacha Operating Rules Online Resource, visit www.nachaoperatingrulesonline.org to sign up for access. This is a read-only, online PDF, and is not downloadable. The free, basic version provides access to the Nacha Operating Rules, but not to the Operating Guidelines, which describe how to apply the Rules. You may also purchase the full version of the Rules & Guidelines (online or print book from www.wespay.org). Please contact Exchange Bank with any questions.

Exhibits & Supporting Documents

Exhibit A - ACH Contact Information

For questions regarding the following issues, please contact:	
<ul style="list-style-type: none">• ACH File Delivery & Verification Issues• Notifications of Change & Return Notices• ACH Limit Adjustments• Origination of Special Standard Entry Class Codes• Dual Approval of ACH Batches• ACH Special Reports• System Questions	<p><u>Customer Care Center</u> 707-524-3000 <u>Hours: Monday through Friday from 8:30am to 5:30pm PST</u></p>

Exhibit B – Supported Standard Entry Class Codes

The following chart outlines and defines the Standard Entry Class (SEC) Codes⁵ supported by Exchange Bank. Please refer to the Rules for additional details about each SEC Code.

SEC Code	Description	Transaction Type	Entity Type	Authorization Requirement
PPD	Prearranged Payment & Deposit Entry: An entry originated by a business to a consumer account based on a standing or single-entry authorization from the Receiver of the Entry. PPD entries are more widely known as Direct Deposit and Direct Payment. The Direct Deposit application provides the ability to disburse funds to consumer accounts.	Debit or Credit Single or Recurring Entry	Consumer	In writing and signed or similarly authenticated for consumer debits Orally or other written or non-written means for credits
CCD	Corporate Credit or Debit Entry: An entry originated by a business to/from the account of the same business or another organization. The entry can be monetary or non-monetary. CCD entries include the transfer of funds between businesses or to consolidate funds from several accounts of the same business ownership. Child Support Payments and Federal & State Tax Payments are also examples of CCD entries.	Debit or Credit Single or Recurring Entry	Corporate	Agreement between Originator and Receiver
CTX	Corporate Trade Exchange Entry: An entry originated by a business to/from the account of another business. This entry may be accompanied by up to 9,999 lines of payment-related addenda information (i.e., supplemental information to properly apply the received payment). CTX is most commonly used when multiple lines of addenda are needed.	Debit or Credit Single or Recurring Entry	Corporate	Agreement between Originator and Receiver

⁵ Note that your ACH origination privileges may not be enabled for all codes. Please check with your Branch of Account regarding your specific setup.

Exhibit E – Return Reason Codes

The table below lists the Return Reason Codes most frequently used by RDFIs and indicates the appropriate action that should be taken depending on the reason for each Return. For a complete listing of Return Reason Codes and timeframes, please refer to Appendix Four of the Rules.

Return Code	Reason for Return	SEC Codes	Return Timeframes	Action by Originator
R01	Insufficient Funds: Available balance not sufficient to cover the dollar amount of the debit entry.	All	Two (2) Banking Days	May initiate a new ACH entry within 180 days of the Settlement Date of the original entry.
R02	Account Closed: A previously open account is now closed.	All	Two (2) Banking Days	Must stop initiation of entries and obtain an authorization from the Receiver for another account.
R03	No Account / Unable to Locate: The account number structure is valid but does not correspond to the individual identified in the entry.	All	Two (2) Banking Days	Must stop initiation of entries and contact the Receiver for correct account information.
R04	Invalid Account Number: The account number fails the check digit validation or may contain an incorrect number of digits.	All	Two (2) Banking Days	Must stop initiation of entries until account number/structure is corrected.
R05	Unauthorized Debit to Consumer Account using Corporate SEC Code: A corporate debit Entry was transmitted to a consumer's account who had not authorized the entry.	CCD, CTX	Sixty (60) Calendar Days	Must stop initiation of entries. RDFI obtains a Written Statement of Unauthorized Debit form from consumer Receiver.
R06	Returned per ODFI's Request: ODFI requested that the RDFI return the entry.	All	Undefined, determined by ODFI and RDFI	Must accept requested Return.

R07	<p>Authorization Revoked: Consumer account holder who previously authorized an entry claims authorization has been revoked from the Originator.</p> <p>Disagreements regarding authorization must be handled outside the ACH Network.</p>	IAT, PPD, TEL, WEB	Sixty (60) Calendar Days	Must stop initiation of entries until new consumer authorization is obtained. Depending upon the terms of the original authorization, the Originator may have recourse for collection outside the ACH Network. RDFI obtains a Written Statement of Unauthorized Debit form from consumer Receiver.
R08	<p>Payment Stopped: Account holder had previously requested a stop payment of a single or recurring entry.</p>	All	Two (2) Banking Days	Must contact Receiver to identify the reason for the stop payment and obtain authorization before reinitiating the entry.
R09	<p>Uncollected Funds: Ledger balance is sufficient, but value of uncollected items brings available balance below the amount of debit entry.</p>	All	Two (2) Banking Days	May initiate a new ACH entry within 180 days of the Settlement Date of the original entry.
R10	<p>Account holder Advises Originator is Not Authorized to debit the Receiver's Account and/or Originator Not Known to Receiver: The consumer advises that the Originator is unknown, they have no relationship with the Originator and/or the debit is not authorized to debit the Receiver's account.</p> <p>Disagreements regarding authorization must be handled outside the ACH Network.</p>	ARC, BOC, IAT, POP, POS, PPD, TEL, WEB	Sixty (60) Calendar Days	Must stop initiation of entries. Return Reason Code is used when a Receiver claims they do not know the Originator or does not have a relationship with the Originator. RDFI obtains a Written Statement of Unauthorized Debit form from consumer Receiver.
R11	<p>Account holder Advises Entry is not in Accordance with the Terms of the Authorization: The account holder notified their RDFI that the debit entry to their account was authorized but there was an error (e.g., different amount or date than authorized, check was incorrectly converted to an ACH, etc.).</p>	ARC, BOC, IAT, POP, POS, PPD, TEL, WEB	Sixty (60) Calendar Days	Must correct initiation of future entries. Return Reason Code is used when a Receiver claims wrong amount or debit date, incomplete transaction, improper source document, or exceeds reinitiation attempts. RDFI obtains a Written Statement of Unauthorized Debit form from consumer Receiver.

R16	Account Frozen: Access to account is restricted due to specific action taken by the RDFI, by legal action, or returned per OFAC instruction.	All	Two (2) Banking Days	Must stop initiation of entries. Terms of authorization may offer recourse outside the ACH Network. OFAC may have instructed the debit to be returned.
R17	Entry with Invalid Account Number Initiated Under Questionable Circumstances or Return of Improperly-Initiated Reversal: The RDFI has returned the entry because it believes the entry was initiated under questionable circumstances (which includes, but not limited to, an ACH entry transmitted without the Originators authorization, or an ACH entry authorized by the Originator under false pretenses) or the RDFI or Receiver has identified a reversing entry as one that was improperly initiated by the Originator or ODFI	All	Two (2) Banking Days	Originator must accept the Return and investigate the provided authorization from the Receiver. If a valid authorization exists, the Originator may have recourse outside the ACH Network for resolution. Identify the initial transaction to determine if the reversal was proper.
R20	Non-Transaction Account: Policies or regulations (such as Federal Regulation D) prohibit or limit activity to the account indicated.	All	Two (2) Banking Days	Originators must stop initiation of entries.
R23	Credit Entry Declined by Receiver: Customer refuses Entry because amount is inaccurate, account is in litigation or Originator is not known to Receiver.	All	Two (2) Banking Days from notification by Receiver	Dependent upon notification by the Receiver to the RDFI. Must obtain authorization prior to reinitiating the entry.

R24	Duplicate Entry: Entry is a duplication of another entry. The trace number, date, dollar amount, etc., match another entry.	All	Two (2) Banking Days	Originators should accept the return. If the entry has already been reversed, Originator should work with the ODFI to contact the RDFI to determine a solution. An Originator may reverse an erroneous or duplicate ACH entry/file up to five (5) Banking Days after the Settlement Date of the entry/file or it may request the RDFI to send a Return.
R29	Corporate Entry Unauthorized: RDFI has been notified by non-consumer accountholder that a specific entry is unauthorized.	CCD, CTX	Two (2) Banking Days	Originators must stop initiation of entries until subsequent authorization has been obtained. If a valid authorization exists, the Originator may have recourse outside the ACH Network. Corporate Receiver with ACH Positive Pay may need to add your ACH Company ID to their filters.
R31	Permissible Late Return for CCD or CTX Entry: ODFI has accepted a request from an RDFI for a Return of a CCD or CTX entry beyond the normal two-day Banking Day timeframe. Typically, the ODFI obtains additional information and/or authorization from the Originator prior to granting permission for the Return.	CCD, CTX	Undefined, determined by ODFI and RDFI	Originator can work with ODFI to provide more information and/or permission for the late Return of the entry. Investigate the provided authorization from the Receiver and if a valid authorization exists, the Originator may have recourse outside the ACH Network for resolution.

Exhibit F – Notification of Change Codes

The table below lists the change codes most frequently used by RDFIs and indicates the appropriate action that should be taken, depending upon the reason for each code. For a complete guide on Notification of Change Codes, please refer to Appendix Five of the Rules.

NOC Code	Description of Error	Corrective Action Required by Originator
C01	Incorrect Account Number	The account number is incorrect or is formatted incorrectly. Originator should update the Receiver's account number.
C02	Incorrect Transit Routing Number	Due to a merger or consolidation, a once valid routing number must be changed. Originator should update the Receiver's financial institution routing number.
C03	Incorrect Transit Routing Number and Incorrect Account Number	Due to a merger or consolidation, a once valid routing number must be changed, and this change will cause a change to the account number structure. Originator should update both the Receiver's financial institution routing number, as well as the account number.
C05	Incorrect Transaction Code	An incorrect transaction code is causing the Entry to be routed to the wrong type of account. Originator should update the type of account field.
C06	Incorrect Account Number and Incorrect Transaction Code	The account number is incorrect, and the Entry is being routed to the wrong type of account. Originator should update both the account type field and the account number.
C07	Incorrect Transit Routing Number, Incorrect Account Number, and Incorrect 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 (e.g., checking or savings). Originator should update the Receiver's financial institution routing number, account number, and type of account.
C13	Addenda Format Error	Information in the Entry Detail Record was correct, and the Entry was able to be posted by the RDFI, but information in the Addenda Record was unclear or formatted incorrectly. Originator should review the formatting in the Addenda Record to identify and correct errors.

Exhibit G – Sample Return and Notification of Change Report

Below is a sample copy of an ACH Return & Notification of Change (NOC) report. This sample is designed to help you understand the type of information that will be included should you receive a Return and/or NOC. Please contact Exchange Bank's Customer Care Center with any questions.

Exchange Bank, Santa Rosa, CA
Support@ExchangeBank.com, 707-524-3153
ACH RETURN ITEM REPORT

ORIGINATOR OF ORIGINAL ENTRY
Originating DFI ABA:
Company Name:
Company Discretionary Data:
Company/Originator ID:
Company Descriptive Date:
Company Entry Description:

ORIGINAL ENTRY INFORMATION
Original ABA:
Receiver Account Number:
Individual ID Number:
Individual Name:
Standard Entry Class Code:
Amount:
Effective Entry Date:

TRACE NUMBERS
ACH Return Trace Number:
ACH Original Trace Number:

RETURN INFORMATION
Return Reason Code:
Return Reason Code Description:
Return Settlement Date:
Transaction Code:
Transaction Description:

Exchange Bank, Santa Rosa, CA
Support@ExchangeBank.com, 707-524-3153
ACH NOTIFICATION OF CHANGE REPORT

ORIGINATOR OF ENTRY
Originating DFI ABA:
Company Name:
Company Discretionary Data:
Company / Originator ID:
Company Descriptive Date:
Company Entry Description:

ORIGINAL ENTRY INFORMATION
Original RDFI ABA:
Receiver / DFI Account Number:
Individual / ID Number:
Individual / Company Name:
ACH Original Trace Number:
Effective Entry Date:

CORRECTED INFORMATION
Change Code:
Change Code Description:
Correct DFI Account Number:

Exhibit H – PPD Authorization Requirements

Obtaining the proper authorization for your ACH entries is the most significant step you can take to protect your business against disputes, return fees, and reversed entries. ACH debit entries intended for consumer accounts are heavily regulated and mandate special authorization requirements.

The most common Standard Entry Class code for consumer debits is PPD. These entries must be authorized in writing on a form or contract that grants an Originator permission to debit a consumer's personal checking or savings account. The PPD authorization form used should clearly outline the terms under which you are permitted to debit the account of the consumer, such as amount, date, and frequency, as well as conditions for termination or change of the authorization.

The Receiver must unambiguously express consent, and you must clearly understand and fulfill the specific authorization requirements for the Entries submitted or the

Receivers can dispute the entries for several reasons, including improper authorization, the processing on a date earlier than authorized, or for an amount different than authorized, among other reasons.

Below are some best practices and tips as they relate to recurring debits to consumer accounts:

- (1) Have your Receiver sign and date a form that includes the bank account to be charged, how to terminate or revoke the authorization, and the information specified, as follows, for the type of recurring payment schedule being used:
 - a) Payments for the same amount on a regular schedule: Include the amount, frequency, and start date of the debits.
 - b) Payments for a different (variable) amount on a regular schedule: Include the frequency, start date, and maximum amount.
 - c) Payment plans: Include the total due, number of payments, amount of payment, frequency, and start date.
- (2) Give your Receiver a copy of the signed form, including a telephone number that is available to them and answered during normal business hours for inquiries also helps reduce the volume of unauthorized Entries.
- (3) Keep this form on file, stored digitally or on paper in a secure fashion for two years after the last payment on the schedule.

The following two pages include sample ACH Debit and ACH Credit Authorization Forms. **These are included for example purposes and should be thoroughly reviewed by your legal counsel prior to use.**

Sample PPD Authorization for Recurring Debits

ACH Recurring Debits Authorization Form

<Originator Business Name or DBA>

< Street Address, City State Zip>

< Phone Number>

Please complete the information below:

I, _____, authorize **Originator Name** to charge my bank account indicated below on the _____ of each <insert frequency> for payment of my <insert type of bill>. I agree that ACH Entries I authorize comply with all applicable laws.

Billing Address _____ City, State, Zip Code _____

Phone # _____ Email _____

Account Type: Checking Savings

Acct Owner Name _____

Financial Institution Name _____

Account Number _____ Routing Number _____

Financial Institution City/State _____

I understand that this authorization will remain in effect until I cancel it in writing, and I agree to notify **Originator Name** of any changes in my account information or termination of this authorization at least **XX** days prior to the next billing date. If the above noted periodic payment dates fall on a weekend or holiday, I understand that the payment may be executed on the next business day. I understand that since this is an electronic transaction, these funds may be withdrawn from my account as soon as the above noted periodic transaction dates. I acknowledge that the origination of ACH Entries to my account must comply with the provisions of U.S. law. I agree not to dispute this recurring billing with my financial Institution so long as the Entries correspond to the terms indicated in this authorization form.

SIGNATURE _____ **DATE** _____

Susan B. Sample		5678
2244 Lois Lane		
Anytown, FL 32123-4567		
	20	123/456 789
Pay to the Order Of	\$	
		Dollars
Memo		
⑆ 2 3 4 5 6 7 8 9 ⑆ 0 ⑆ 2 3 4 5 6 7 8 9 0 ⑆ 2 3 ⑆ 5 6 7 8		

YOUR 9-DIGIT
BANK ABA
ROUTING NUMBER

YOUR BANK
ACCOUNT
NUMBER

CHECK NUMBER
(may appear before account number)

Instruction – Sample PPD Authorization for Recurring Debits

Authorization Sample: Your company can customize the authorization form to fit your specific application needs, but it must be readily identifiable as a payment authorization and at a minimum, include the following:

- Acknowledgement that entries must comply with laws of the United States
- Statement authorizing Originator to initiate credit or debit Entries
- Account number and routing number of accounts
- Identification of account type (i.e., checking, savings, loan, or general ledger)
- Provisions for termination of the authorization
- Individual identification (name and address are suggested)
- Date and signature

Changing Date or Amounts: The Rules require you to notify your customers of any changes in date or amount debited under the following circumstances for consumer debits:

- Seven (7) calendar days' notice for a change of date
- Ten (10) calendar days' notice for a change in amount

Sample PPD Authorization for ACH Credits

ACH Credit Authorization Form

<Originator Business Name or DBA>

< Street Address, City State Zip>

< Phone Number>

Please complete the information below:

I, _____, authorize **Originator Name** to initiate ACH credits to my account information below until such time when my authorization is revoked. In addition, I also authorize **Originator Name** to debit my account to correct erroneous credits that are received in error. I agree that ACH Entries I authorize comply with all applicable laws.

Billing Address _____ City, State, Zip Code _____

Phone # _____ Email _____

Account Type: Checking Savings

Acct Owner Name _____

Financial Institution Name _____

Account Number _____ Routing Number _____

Financial Institution City/State _____

I understand that this authorization will remain in effect until I cancel it in writing, and I agree to notify **Originator Name** of any changes in my account information or termination of this authorization at least **XX** days prior to the next receipt of payment. I acknowledge that the origination of ACH Entries to my account must comply with the provisions of U.S. law.

SIGNATURE _____ **DATE** _____

Susan B. Sample 2244 Lois Lane Anytown, FL 32123-4567	5678
Pay to the Order Of	20 123456 789
	\$ _____
	Dollars
Memo	
⑆ 2 3 4 5 6 7 8 9 0 ⑆ 2 3 4 5 6 7 8 9 0 ⑆ 2 3 4 5 6 7 8 9 0 ⑆ 2 3 4 5 6 7 8 9 0 ⑆	

YOUR 9-DIGIT
BANK ABA
ROUTING NUMBER

YOUR BANK
ACCOUNT
NUMBER

CHECK NUMBER
(may appear before account number)

Exhibit I – Glossary of Common ACH Terms

Below are the definitions of select ACH terms that are commonly used. For a full description of all ACH terminology, please refer to the Rules at www.nachaoperatingrulesonline.org.

ACH Authorization: An agreement provided by a Receiver to authorize an Originator to generate one or more ACH Entries to the Receiver's account.

ACH Credit: An entry that deposits funds into a Receiver's account, such as direct deposit of payroll, vendor payments, etc. As an Originator, your account will be debited to fund the Entry(ies).

ACH Debit: An Entry that pulls funds from a Receiver's account, such as gym membership dues, client invoicing, etc. As an Originator, your account will be credited for the entry(ies).

ACH Operator: The central clearing facility for ACH Entries to/from Network participants (i.e., the Federal Reserve Bank or the Electronic Payments Network).

ACH Return: An entry initiated by a Receiving Depository Financial Institution (RDFI) that returns a previously originated debit or credit entry. As an Originator, your account will be debited or credited for all returned entry(ies) that you have submitted.

ACH Reversal: An entry intended to reverse a previous Entry that has already been processed through the ACH Network. Reversals must meet certain requirements, as described within the Reversals section of this guide.

ACH Stop Payment: An instruction from a Receiver which indicates that a particular ACH Entry should not be paid.

Addenda Record: Supplemental information contained within an ACH Entry that is useful to the Receiver in applying the entry, such as invoice numbers, customer numbers, purchase order numbers and the like.

Banking Day: The business days in which a financial institution is open to the public to perform its substantial business functions.

Effective Entry Date: The date requested by an Originator for the ACH Entry(ies) to settle. Note: While you may request a preferred date, the ACH Operator will assign the actual Settlement Date.

Electronic Data Interchange (EDI): The movement of payment-related data related to an entry(ies) between corporate trading partners.

Entry/Entries: A credit or debit transaction to a Receiver's account held with an RDFI. An entry can be utilized for both live-dollar and non-monetary purposes.

Nacha: The agency that manages the development, administration, and governance of the ACH Network.

Notification of Change (NOC): A non-monetary entry transmitted by an RDFI to notify the ODFI and ultimately, the Originator, of a correction that must be made to an ACH Entry.

Originating Depository Financial Institution (ODFI): The financial Institution that maintains a contractual relationship with an Originator and submits ACH Entries into the Network. The ODFI acts as a gatekeeper and is responsible for the risk management and oversight of Originators.

Originator: The organization that agrees to initiate either debit and/or credit entries into the ACH Network. The Originator must obtain proper authorization pursuant to each type of ACH Entry and submit lawful entries.

Prenotification (Prenote): A non-monetary entry transmitted by an Originator to an RDFI to verify the accuracy of account information prior to submitting a live Entry.

Receiver: The intended recipient of an ACH Entry, either a consumer or business. The Receiver must authorize the Entry pursuant to the specific ACH Entry type.

Receiving Depository Financial Institution (RDFI): The financial Institution that receives incoming ACH Entries on behalf of the Receiver. The RDFI plays an important role in the ACH Network and must comply with all Rules.

Settlement Date: The date assigned by the ACH Operator when the requested Entries settle by both the Originator and Receiver.

Standard Entry Class (SEC) Code: A three-character code used to identify the format, application, and authorization method for the ACH Entry.

Third-Party Sender: If your company originates entries on behalf of another party and that party does not have an ACH agreement or relationship with Exchange Bank, you may be considered a Third-Party Sender in the ACH Network. Please contact your Branch of Account if you believe your company may be acting as a Third-Party Sender.

Exhibit J – Other Laws, Rules & Regulations Governing ACH

Office of Foreign Assets Control (OFAC): The U.S. Department of the Treasury, OFAC, administers economic sanctions and embargo programs that prohibit entries involving targeted countries, regimes, terrorists, international narcotics traffickers, etc. OFAC maintains a list of Specially Designated Nationals and Blocked Persons (SDN List) to assist all U.S. participants in the ACH Network in identifying prohibited parties. All ACH Network participants are accountable for complying with OFAC when originating ACH Entries.

Regulation E and Electronic Fund Transfer Act (EFTA): Regulation E, governed by The Consumer Financial Protection Bureau (CFPB), establishes the basic rights, liabilities and responsibilities of consumers who receive electronic fund transfer services, which includes ACH Entries. Regulation E also addresses the responsibilities of financial institutions regarding stop payments and unauthorized debit entries to consumer accounts and defines the process for resolving errors. If your company originates debits to consumer accounts, you should be familiar with the Regulation E protections available to those consumers.

State Law: State laws vary and could impact the origination of certain types of ACH Entries. For instance, some states allow companies to mandate that employees be paid by direct deposit. However, most state labor codes restrict companies from only offering direct deposit as a means of receiving pay. Many states have mandated that state taxes paid by businesses be initiated via ACH. Please consult with your state's Office of the Attorney General for specifics.

Uniform Commercial Code Article 4A (UCC 4A): The Uniform Commercial Code (UCC) is a series of state laws that govern commercial credit Entries. Article 4A of the UCC specifically governs wholesale credit entries. UCC4A also addresses the commercially reasonable security procedures that must in place for ACH Originators. Originators who make ACH credit payments to business accounts should be familiar with this regulation.