



# ACH Originator Guide

Provided to you by:

Banner Bank

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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 Banner Bank, your organization must follow all 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.<sup>1</sup> To ensure compliance with current regulations, all ACH Originators must stay abreast of the Rules, including periodic changes.

## Questions/Support

Upon review of the ACH Originator Guide, we encourage you to contact our Treasury Management Support team with any questions or concerns you may have at 1-877-856-7933, or via email at [treasurymanagement@bannerbank.com](mailto:treasurymanagement@bannerbank.com).

Hours: 7:00 a.m. to 6:00 p.m. PT Monday – Friday.

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<sup>1</sup> Nacha owns the copyright for the Nacha Operating Rules and Guidelines. Additional information can be found at [www.nachaoperatingrulesonline.org](http://www.nachaoperatingrulesonline.org) or may be purchased through [www.wespay.org](http://www.wespay.org).

## ACH Overview

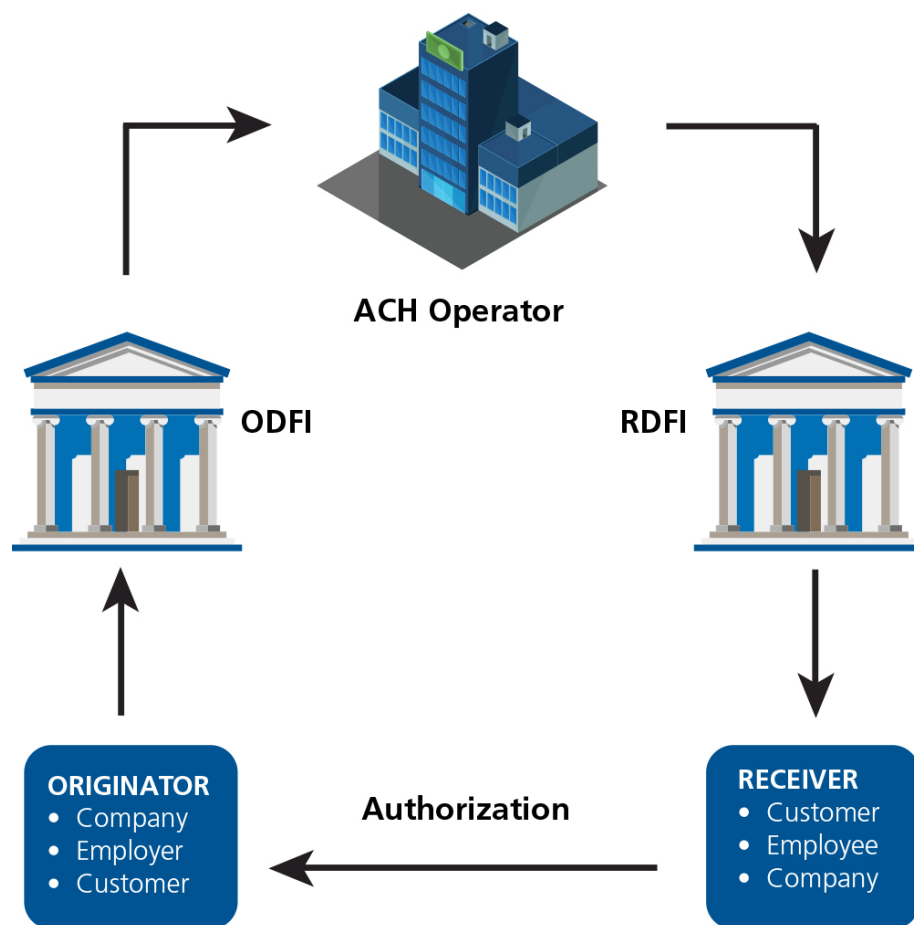
### ACH Main Participants & Key Definitions

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; common use cases include paying vendor invoices, payroll direct deposits, and collecting funds for consumer bill payments,

When you call Banner's Treasury Management Support for assistance with ACH origination, it is important to become familiar with common ACH Network terms.

### 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. Banner Bank is acting as your ODFI when it receives your payment instructions and forwards the Entries to the ACH Operator. Your business account with Banner 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 Banner Bank have liabilities and make specific warranties related to those Entries. As an Originator, you agree to and warrant the following, and Banner Bank has outlined these details within your ACH Origination Agreement:

- You authorize Banner 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 Banner Bank may terminate or suspend ACH origination services for your breach of the Rules or the Banner Bank ACH Origination Agreement.
- You agree that Banner Bank may audit your compliance with the Rules and/or the Banner Bank ACH Origination Agreement.
- The correct SEC Code has been used based on the type of Receiver and the method you collected authorization.
- You warrant that 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 detail; 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 we 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, Banner 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 as defined by the Rules. Please note that some SEC Codes, such as WEB and TEL used for consumer debit entries, have additional warranties and may require special approval from Banner 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.

## TEL Entries

TEL is the SEC code used when a consumer provides authorization over the telephone with an operator or interacts via voice with an automated voice response system (IVR). The Rules allow for the organization to originate a call with a consumer where there's an existing relationship or where the consumer has reached out to the organization. The Rules prohibit cold calling from an organization to consumer(s) to authorize TEL entries.

An Originator that transmits TEL warrants that it has established processes to;

1. Verify the identity of the Receiver. You can meet this requirement by verifying the Receiver's information using a directory or database, such as verifying a password established by the consumer for their account, mother's maiden name, buying history, credit bureau information, or other criteria.
2. Verify the validity of the routing numbers used. You can meet this requirement by comparing the routing number provided by the Receiver to a database obtained from your ODFI partner or another vendor.

You can find more information regarding TEL entries in Subsection 2.5.15 of the Rules and Chapter 47 of the Nacha Operating Guidelines.

The requirements to retain proof of authorization for TEL entries differ slightly between single-entry debit and recurring debits. For telephone (oral) authorizations for debit entries to consumer accounts the following rules apply:

- Single-entry: written notice to the Receiver prior to the settlement of entry or audio recording and retain for two (2) years from the debit settlement date
- Recurring: send a copy of the authorization to the Receiver and retain authorization and audio recording for two (2) years from the termination or revocation of the authorization

The written notice can be provided to the Receiver in the form of an email. If mailing the written notice, the date that the notice is postmarked (i.e. put in the mail) is considered the notice date. In addition, Regulation E requires Originators to do the following:

- Retain evidence that a copy of the authorization was provided to the consumer
- Provide notice to the Receivers if changing the recurring amount (10-day notice in advance) or provide authorization for an amount range
- Provide notice to the Receiver if recurring debit date changes (7-day notice in advance)
- Stop future entries when notified by the Receiver that the entry was unauthorized, or the authorization was revoked.

## WEB Entries

WEB is used as the SEC code for consumer debits transacted or initiated via a website (Internet) or cell (wireless) phone to access an app or portal. These also include authorized debits through a voice-activated assistance device like a smart speaker. WEB debits can be one-time, single entries, or recurring entries. The authorization must be in writing, signed or similarly authenticated, and show evidence of the consumer's agreement.

An Originator that transmits WEB debit entries warrants that it has established processes to;

1. Conduct an annual audit to verify financial information is protected using security practices and procedures that address the following:
  - a. Physical security
  - b. Personnel and access controls
  - c. Network security
2. Implement a commercially reasonable fraudulent detection system. These processes must include a process to verify the account number used for WEB debit entries prior to the first use of the account number. Account verification processes may include micro-entry (see below for further details) or online account verification through a vendor. Fraudulent detection systems may further include a process to review entries for anomalous activity or other red flags of potential fraud.

3. Verify the validity of the routing numbers used. You can meet this requirement by comparing the routing number provided by the Receiver to a database obtained from your ODFI partner or another vendor.

You can find more information regarding WEB entries in Subsection 2.5.17 of the Rules and Chapter 48 of the Nacha Operating Guidelines.

## Micro-Entries

Micro-Entries are a common method used to validate account information for WEB entries. Sometimes known as “penny transactions,” Micro-Entries are small value entries of random amounts transmitted to Receivers’ accounts; Originators can also transmit a credit entry to offset the debits posted. For instance, an Originator may send debit entries for \$0.23 and \$0.27 and an offsetting credit for \$0.50. Once the entries post to the Receiver account, the Receiver has to verify the amount of the debit entries on the Originator’s site, thereby verifying they have access to the Receiver account. The Rules have specific requirements for such entries:

- Credit Micro-Entries must be less than \$1.00
- The amount of any debit Micro-Entries cannot exceed the amount of corresponding credits.
- The Company Entry Description field must be “ACCTVERIFY”

## 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: a document signed by the Receiver giving the Originator permission to debit them, a form the Receiver completes over the Internet, a recorded telephone call, or a check that a consumer writes, which is converted into an ACH debit entry, to name a few. 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.

Suggestions:

- 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.
- It is important to note 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.

**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, you may consider obtaining such authorizations in writing to provide an audit trail between your organization and the Receiver.

**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 if 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

## 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.** In the event that one of your receivers or an RDFI requests a copy of the authorization, we will ask you, as the Originator, to provide the copy upon request. If such a request is received, we 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.

## 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 written notice at least ten calendar days prior to the scheduled debit.

An alternative some Originators utilize is to provide notice every time the amount of the recurring debit changes would be to define a dollar amount range in the original authorization that the Receiver agrees to authorize. 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, it 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.

## 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 used by Banner Bank to determine whether the ACH entries submitted are within approved guidelines. The ACH processing limits establish the cumulative maximum dollar amount of originated entries allowed. Banner Bank will assign you a daily origination limit.

As part of the Rules, Banner Bank is required to establish and periodically monitor your ACH processing limits established for each Originator. 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 your relationship management consultant to discuss the situation and evaluate either a temporary or permanent limit adjustment based on the situation.

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

## Prefunding for ACH Credits Originated versus Exposure

Financial Institutions typically use one of two approaches to mitigate ACH risk to establish a processing limit: prefunding or credit-based exposure. If you are originating both ACH debit entries and ACH credit entries, your organization will require credit-based exposure for both types of activity. Descriptions of both approaches are listed below:

- **ACH Prefunding:** When you originate ACH credit entries, prefunding allows Banner Bank to hold/debit the funds before releasing the entries into the ACH Network. For example, if you submit a payroll file on Wednesday for your employees to be paid on Friday, we will debit your funds on Wednesday.

ACH prefunding is an ideal option for small businesses, start-ups, Originators with insufficient credit history, or those wishing to avoid a lengthy credit review.

- **Credit-Based Exposure:** With credit-based exposure, Banner Bank performs a credit evaluation based on your company's application for ACH origination services and collects financial information, such as credit reports, financial statements, etc., to make the approval decision. Credit-based exposure could apply to either credit or debit origination and is an ideal option for Originators wishing to fund ACH activity on the Settlement Date. For example, if your company sends an ACH file to Banner Bank on Wednesday to pay the staff on Friday, your business account would be debited on Friday.

During the application process to establish ACH origination services, your assigned Treasury Management Consultant works with your relationship manager to determine the most suitable approach to establish the necessary limit(s) to meet your needs. Please contact your Treasury Management Consultant or Relationship Manager with any questions about how your ACH limits are determined.

## 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. Every Originator should be familiar with the basics of the NACHA file format.

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

Most accounting programs will also allow you to create a NACHA-formatted file and Banner's Treasury Management Support team can assist you with the information you need to create and submit your ACH entries.

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 you to input information used to identify the Receiver (e.g., employee number for payroll purposes). Some software or applications allow for an additional record that can be tagged to the Entry Detail Record, such as an Addenda Record, to provide further details related to the entry (e.g., invoice numbers) to the Receiver.

**Batch Level Records:** Entry Detail Records of the same SEC code and settlement date can be "wrapped" in a batch. The NACHA file format allows for a single or multiple entries within a batch, and every file must include at least one batch.

Each batch includes required fields for processing entries contained within it. Each Batch Header Record includes a Company Name, which identifies the source of the entries within the batch. The Batch Header travels with each entry to the receiving financial institution. The Rules require the Company Name field to contain the name of the Originator, which is known and readily recognized by the Receiver. Originators that need to separate the activity of multiple divisions or activities within the company may use the Company Number field to identify those



## 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 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 information needs to be updated.

If you choose to transmit Prenotes, you may initiate live-dollar entries as soon as the third (3<sup>rd</sup>) Banking Day following the Prenote's Settlement Date, provided that it has not been returned, nor has Banner Bank been notified of a correction to the information. If Banner 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. If you use Banner Bank's Online Banking System, to send a prenote, the system will assist you in formatting the prenote entries. If you create a standard ACH-formatted file for straight-through processing, you must ensure that the entries contain the appropriate Prenote transaction codes in the entry detail record.

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 Banner 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 Banner Bank to industry fines. Banner 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 reference 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 Banner Bank. Upon receipt of a returned ACH entry, Banner Bank will notify you promptly via ACH Reporting in Business Online Banking.

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 Banner's Treasury Management Support team.

All returns are defined by specific codes which describe 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 Banner Bank. Before making any adjustments to your account, Banner Bank will validate all received Returns and NOCs to ensure that your organization originated the original entry. Banner Bank provides your company with information about returned entries and notifications of change through **Business Online Banking ACH Reporting**.

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, for all returned entries other than Re-Presented Check Entries (RCK), 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.

## Exception Handling Procedures

If your organization releases an entry or file in error, Banner Bank accepts delete and reversal requests to help correct the situation. We will ask you to complete an *ACH Reversal/Deletion Request Form* with details regarding the transaction. The form can be requested from the Treasury Management Support team, and must be completed by a Company Administrator or an authorized signer for the company. The Treasury Management Support team will assist you with any questions you have regarding the form and the reversal or deletion transaction, and will confirm when your reversal or deletion request is completed.

## Submitting an ACH Delete Request

Occasionally, you may need to delete entries after you have sent an ACH file to Banner Bank. Banner Bank may be able to delete the entries if they have not been released to the ACH Network. If your entries were delivered today or if your ACH files include future-dated entries of more than three (3) days in the future, those entries may be eligible to be deleted. For ACH entries that have not yet been processed, Banner Bank can delete an individual entry, a batch, or a file.

## To Delete a File, Batch, or Individual Transaction

Please contact **Treasury Management Support** with the information below to request an ACH deletion.

**File deletion** requires the following information:

- The Originator ACH Company Identification Number;
- The Effective Entry Date(s);
- The total amount contained in the file; and
- The total number of credit and debit entries in the file.

**Batch deletion** requires the following information:

- The Originator ACH Company Identification Number;
- The Effective Entry Date;
- The total amount contained in the batch; and
- The total number of credit and debit entries in the batch.

**Individual transaction deletion** requires the following information:

- The Originator ACH Company Identification Number;
- The Effective Entry Date;
- The account name and number of the specific Receiver;
- The amount of the specific entry;
- The transit/routing number; and
- Identification of whether the entry is a credit or debit.

## 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 Banner 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.<sup>2</sup>

Reversals are separate and new entries and can be returned by the RDFI. Please note when sending out ACH debit reversal(s) that your settlement account will receive a credit for the outgoing ACH debit entries, Banner Bank cannot guarantee that the reversal(s) will not be returned. It is imperative that Originators of credit entries 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.

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<sup>2</sup> There is NO GUARANTEE the reversing entry of the deletion can be processed. To comply with Nacha Rules, the request must be received in time to be processed within five (5) business days of the original entry settlement date. The cutoff time is 2 p.m. PT before the fifth business day after settlement, If the request is received after that, it may be rejected and you will be notified accordingly. For reversal assistance, call Treasury Management Support at 1-877-856-7933.

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

## Submitting an ACH Recall Request

If you have questions or need to reverse an ACH entry(s) or files you have submitted please contact Banner’s Treasury Management Support team for assistance.

## 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 Banner 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 deadlines are:

Business Online Banking ACH Origination:

- 10:30 a.m. Pacific Time
- 12:00 noon Pacific Time
- 5:00 p.m. Pacific Time

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

Same Day ACH Effective Date Processing:<sup>4</sup> In order to use the current date as the Effective Entry Date in your file, you must be setup for the Same Day ACH origination service which requires a special enrollment and entitlements. For Same Day ACH processing that can result in same day payment and receipt, the deadlines are:

Same Day Online Banking ACH Origination:

- 10:30 am. Pacific Time
- 12:00 noon Pacific Time

**Special Note:** ACH entries submitted to Banner Bank with stale or invalid Effective Entry Dates will be settled at the earliest opportunity, which could be the same day. We recommend that you review all Effective Entry Dates before submitting your ACH file.

Note: ACH entries that are over \$1M and processed with an ACH batch header using the current date, stale or invalid Effective Entry Date(s) will be received and settled on the next banking day.

## Holiday Processing Schedule

Banner 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 Banner 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 Banner 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 Schedule<sup>5</sup>

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

<sup>4</sup> As of 3/18/2022, the network Same Day ACH per entry limit is \$1,000,000, though ODFIs may choose to set a lower limit.

<sup>5</sup> When the holiday falls on a Sunday, it is observed on the following Monday.

<b>Observed Holiday</b>	<b>Official Date</b>
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

## 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. Banner 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. **Combatting 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 Treasury Management Consultant 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. Banner 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:** Banner 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 Banner Bank, Nacha, or another similar organization asking for their credentials, it is most likely a fraud attempt. Please report the incident to Banner 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 Banner 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, it is critical that all computer equipment used by your organization to operate Banner Bank's ACH origination program is regularly updated and patched for security vulnerabilities, including the use of and updating of firewalls, virus protection, anti-malware protection, and anti-spam protection. Banner 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, Banner 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 Banner 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 Treasury Management Consultant 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 fraudulently originated ACH entries. The rule will require you to review outgoing credit entries with the goal of detecting and preventing fraud from scams such as business email compromise and fake invoices. You may already have processes such as anomaly detection or other “flags” that detect and prevent fraudulent entries, but you will need to review your processes and procedures to determine whether you need to make updates to meet 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 in 2023

**Phase 2** – Effective June 19, 2026, this will apply to all Originators

## Nacha Rule Changes

Each organization originating ACH entries through Banner Bank must comply with the Rules as stated within the ACH agreement between Banner Bank and your organization. Banner 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 & Guidelines Online Resource, visit [www.nachaoperatingrulesonline.org](http://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, ebook or print book from [www.wespay.org](http://www.wespay.org)). Please contact Banner Bank's Treasury Management Support team 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"><li>• Deletions and Reversals</li><li>• ACH File Delivery &amp; Verification</li><li>• Notifications of Change &amp; Return Notices</li></ul>	<b>Treasury Management Support</b> Phone: 1-877-856-7933 Email: <a href="mailto:treasurymanagement@bannerbank.com">treasurymanagement@bannerbank.com</a> Hours: 7:00am to 6:00pm PT Monday through Friday
<ul style="list-style-type: none"><li>• ACH Limit Adjustments</li><li>• Origination of Special Standard Entry Class Codes</li></ul>	<b>Your Treasury Management Consultant or your Relationship Manager</b>
<ul style="list-style-type: none"><li>• Dual Approval of ACH Batches</li><li>• ACH Special Reports</li><li>• System Questions</li></ul>	<b>Treasury Management Support</b> Phone: 1-877-856-7933 Email: <a href="mailto:treasurymanagement@bannerbank.com">treasurymanagement@bannerbank.com</a> Hours: 7:00am to 6:00pm PT Monday through Friday

## Exhibit B – Supported Standard Entry Class Codes

The following chart outlines and defines the Standard Entry Class (SEC) Codes<sup>6</sup> supported by Banner Bank. Please refer to the Rules for additional details about each SEC Code.

SEC Code	Description	Transaction Type	Entity Type	Authorization Requirement
PPD	<b>Prearranged Payment &amp; Deposit Entry:</b> 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	<b>Corporate Credit or Debit Entry:</b> 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	<b>Corporate Trade Exchange Entry:</b> 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

<sup>6</sup> Note that your ACH origination privileges may not be enabled for all codes. Please check with your Treasury Management Consultant regarding your specific setup.

SEC Code	Description	Transaction Type	Entity Type	Authorization Requirement
IAT	<b>International ACH Transaction:</b> A debit or credit entry that is part of a payment transaction involving a financial agency's office not located in the territorial jurisdiction of the United States. IATs can be made to/from a business or consumer account and must be accompanied by seven (7) mandatory Addenda Records identifying the name and physical address of the Originator, name and physical address of the Receiver, Receiver's account number, Receiver's bank identity and reason for the payment.	Debit or Credit Single or Recurring Entry	Consumer or Corporate	Agreement for Non-Consumer  In writing and signed or similarly authenticated for consumer debits  Orally, written, or non-written means for consumer credits
TEL	<b>Telephone-Initiated Entry:</b> TEL entries provide businesses the opportunity to initiate ACH debits to consumer accounts for the purchase of goods and services pursuant to an oral authorization obtained over the telephone. TEL entries may be transmitted only in circumstances in which there is an existing relationship between the Originator and the consumer, or there is not an existing relationship between the Originator and the consumer, but the consumer has initiated the telephone call to the Originator.	Debit Single or Recurring Entry	Consumer	Orally; authorized over telephone
WEB	<b>Internet-Initiated / Mobile Entry:</b> WEB entries provide businesses the opportunity to initiate a debit Entry to consumer accounts for the purchase of goods and services pursuant to authorizations obtained over the Internet. The Receiver inputs banking information into the Originator's website and authorizes the Originator to initiate an ACH debit entry. The Originator is required to authenticate the consumer in order to have a valid authorization.	Debit Single or Recurring Entry	Consumer	In writing and signed or similarly authenticated

## Exhibit C – 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
<b>R01</b>	<b>Insufficient Funds:</b> 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.
<b>R02</b>	<b>Account Closed:</b> 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.
<b>R03</b>	<b>No Account / Unable to Locate:</b> 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.
<b>R04</b>	<b>Invalid Account Number:</b> 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.
<b>R05</b>	<b>Unauthorized Debit to Consumer Account using Corporate SEC Code:</b> 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.
<b>R06</b>	<b>Returned per ODFI's Request:</b> ODFI requested that the RDFI return the entry.	All	Undefined, determined by ODFI and RDFI	Must accept requested Return.

Return Code	Reason for Return	SEC Codes	Return Timeframes	Action by Originator
<b>R07</b>	<p><b>Authorization Revoked:</b> Consumer accountholder 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.
<b>R08</b>	<p><b>Payment Stopped:</b> Accountholder 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.
<b>R09</b>	<p><b>Uncollected Funds:</b> 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.
<b>R10</b>	<p><b>Accountholder Advises Originator is Not Authorized to debit the Receiver's Account and/or Originator Not Known to Receiver:</b> 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.

Return Code	Reason for Return	SEC Codes	Return Timeframes	Action by Originator
<b>R11</b>	<b>Accountholder Advises Entry is not in Accordance with the Terms of the Authorization:</b> The accountholder 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.).	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.
<b>R16</b>	<b>Account Frozen:</b> 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.
<b>R17</b>	<b>Entry with Invalid Account Number Initiated Under Questionable Circumstances or Return of Improperly-Initiated Reversal:</b> Entry is returned due to having an invalid account number and is believed by the receiving Institution to be originated under questionable circumstances, with further details included within the Addenda Record of the Return.  Either the RDFI or the Receiver has identified a Reversing Entry that was improperly initiated by the ODFI or Originator	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.
<b>R20</b>	<b>Non-Transaction Account:</b> Policies or regulations (such as Federal Regulation D) prohibit or limit activity to the account indicated.	All	Two (2) Banking Days	Originator must stop initiation of entries.

Return Code	Reason for Return	SEC Codes	Return Timeframes	Action by Originator
<b>R23</b>	<b>Credit Entry Declined by Receiver:</b> 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.
<b>R24</b>	<b>Duplicate Entry:</b> Entry is a duplication of another entry. The trace number, date, dollar amount, etc., match another entry.	All	Two (2) Banking Days	Originator 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.
<b>R29</b>	<b>Corporate Entry Unauthorized:</b> RDFI has been notified by non-consumer accountholder that a specific entry is unauthorized.	CCD, CTX	Two (2) Banking Days	Originator 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.
<b>R31</b>	<b>Permissible Late Return for CCD or CTX Entry:</b> 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 D – 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.

<b>NOC Code</b>	<b>Description of Error</b>	<b>Corrective Action Required by Originator</b>
<b>C01</b>	<b>Incorrect Account Number</b>	The account number is incorrect or is formatted incorrectly. Originator should update the Receiver's account number.
<b>C02</b>	<b>Incorrect Transit Routing Number</b>	Due to a merger or consolidation, a once valid routing number must be changed. Originator should update the Receiver's financial institution routing number.
<b>C03</b>	<b>Incorrect Transit Routing Number and Incorrect Account Number</b>	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.
<b>C05</b>	<b>Incorrect Transaction Code</b>	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.
<b>C06</b>	<b>Incorrect Account Number and Incorrect Transaction Code</b>	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.
<b>C07</b>	<b>Incorrect Transit Routing Number, Incorrect Account Number, and Incorrect Transaction Code</b>	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.
<b>C13</b>	<b>Addenda Format Error</b>	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 E – 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 Banner Bank's Treasury Management Support team with any questions.

- (1) Originator Company Name
- (2) Originator Company Identification Number
- (3) Originator Company Entry Description
- (4) Original Trace Number
- (5) Effective Entry Date
- (6) Receiver RDFI's Routing Number
- (7) Receiver Account Number
- (8) Receiver Name
- (9) Individual Identification Number
- (10) Return or Change Code (for NOCs)
- (11) Corrected Data (for NOCs)

Centrix Bank ACH DETAIL REPORT ARS_Sample Reports Client A					
Company ID ODFI ID	Account Number RDFI ID	Company Name Receiver Name	Effective Date Settlement Date	SEC Code Transaction Code	Amount Orig Status Code
15339395	006321973	SMITH, BERGE A	3/24/2016	COR	\$0.00
22222226	111111118	Fred Luetgen	3/22/2016 (082)	Savings Debit Return/NOC (36)	1
Company Entry Description COR TEST					
Company Discretionary Data TEST TRANSACTIONS					
Company Descriptive Date 032216					
Trace Number 22222220186641					
Change Code Incorrect Individual ID Number/Incorrect Receiver Identification Number (C09)					
Corrected Data 140623					
Original Entry Trace Number 111111110769311					
Original Receiving DFI Identification: 111111118					
Company ID ODFI ID	Account Number RDFI ID	Company Name Receiver Name	Effective Date Settlement Date	SEC Code Transaction Code	Amount Orig Status Code
15339395	002310750	SMITH, BERGE A	3/24/2016	COR	\$0.00
22222226	111111118	Isaiah Wilms	3/22/2016 (082)	Savings Debit Return/NOC (36)	1
Company Entry Description COR TEST					
Company Discretionary Data TEST TRANSACTIONS					
Company Descriptive Date 032216					
Trace Number 22222220511750					
Change Code Incorrect Transaction Code (C05)					
Corrected Data 474009					
Original Entry Trace Number 111111110461531					
Original Receiving DFI Identification: 111111118					
Company ID ODFI ID	Account Number RDFI ID	Company Name Receiver Name	Effective Date Settlement Date	SEC Code Transaction Code	Amount Orig Status Code
15339395	111936564	SMITH, BERGE A	3/24/2016	COR	\$0.00
22222226	111111118	Dove Ryan	3/22/2016 (082)	Savings Credit Return/NOC (31)	1
Company Entry Description COR TEST					
Company Discretionary Data TEST TRANSACTIONS					
Company Descriptive Date 032216					
Trace Number 22222220496965					
Change Code Incorrect Routing Number (C02)					
Corrected Data 909802					
Original Entry Trace Number 111111110895561					
Original Receiving DFI Identification: 111111118					

Centrix Bank ACH DETAIL REPORT ARS_Sample Reports Client A					
Company ID ODFI ID	Account Number RDFI ID	Company Name Receiver Name	Effective Date Settlement Date	SEC Code Transaction Code	Amount Orig Status Code
15339395	006321973	SMITH, BERGE A	3/24/2016	PPD	\$306.00
22222226	111111118	Fred Luetgen	3/22/2016 (082)	Demand Credit Return/NOC (21)	1
Company Entry Description RET TEST					
Company Discretionary Data TEST TRANSACTIONS					
Company Descriptive Date 032216					
Trace Number 22222220130611					
Return Code No Account/Unable to Locate Account (R03)					
Original Entry Trace Number 111111110501654					
Original Receiving DFI Identification: 111111118					
Company ID ODFI ID	Account Number RDFI ID	Company Name Receiver Name	Effective Date Settlement Date	SEC Code Transaction Code	Amount Orig Status Code
15339395	002310750	SMITH, BERGE A	3/24/2016	PPD	\$35.00
22222226	111111118	Isaiah Wilms	3/22/2016 (082)	Savings Debit Return/NOC (36)	1
Company Entry Description RET TEST					
Company Discretionary Data TEST TRANSACTIONS					
Company Descriptive Date 032216					
Trace Number 22222220505768					
Return Code Unauthorized Debit to Consumer Account Using Corporate SEC Code (Adjustment Entry) (R05)					
Original Entry Trace Number 111111110369029					
Original Receiving DFI Identification: 111111118					
Company ID ODFI ID	Account Number RDFI ID	Company Name Receiver Name	Effective Date Settlement Date	SEC Code Transaction Code	Amount Orig Status Code
15339395	111936564	SMITH, BERGE A	3/24/2016	PPD	\$438.00
22222226	111111118	Dove Ryan	3/22/2016 (082)	Savings Debit Return/NOC (36)	1
Company Entry Description RET TEST					
Company Discretionary Data TEST TRANSACTIONS					
Company Descriptive Date 032216					
Trace Number 22222220949151					
Return Code Uncollected Funds (R09)					
Original Entry Trace Number 111111110756409					
Original Receiving DFI Identification: 111111118					

## Exhibit F – 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 <Insert Business 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 <business 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 2244 Lois Lane Anytown, FL 32123-4567		5678
Pay to the Order Of		\$ _____
Memo		Dollars
⑆ 234567890123456789012345678		
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 <Insert Business Name> to initiate ACH credits to my account information below until such time when my authorization is revoked. In addition, I also authorize <Insert Business 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 <business 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 _____ \$ _____		20 123/456 789
Memo _____		Dollars
⑆ 234567890123456789012345678		
YOUR 9-DIGIT BANK ABA ROUTING NUMBER	YOUR BANK ACCOUNT NUMBER	CHECK NUMBER (may appear before account number)

## Exhibit G – 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](http://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.

**Deletion:** An action performed by a financial institution to eliminate an entry, batch, or file after the entry(ies) have been transmitted into the ACH Network, but prior to final processing or distribution.

**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.

**Same Day ACH:** The delivery of ACH Entries within the same business day pursuant to ACH Network cutoff times and dollar amount limits.

**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 Banner Bank, you may be considered a Third-Party Sender in the ACH Network. Please contact your Treasury Management Consultant if you believe your company may be acting as a Third-Party Sender.

## Exhibit H – 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.