

# Automated Clearing House (ACH) Rules for ACH Originators

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

This Quick Guide gives a brief summary of ACH facts and ACH Originator Responsibilities. It is not intended to be a replacement or substitution for the NACHA Rules and Guidelines.

## ACH Facts

- An ACH Originator is any entity that creates an ACH transaction.
- ACH entries are categorized as “consumer” or “corporate.”
- ACH is capable of crediting or debiting checking or savings accounts.
- ACH entries are received by most financial institutions.
- ACH is a batch system (not real time).
- ACH entries are irrevocable once they have been sent for processing.
- ACH stop payments for consumers do not have an expiration date. Non-consumer written stop payment orders expire six (6) months from the date of the stop payment order unless it is renewed in writing, the item is returned, or the customer withdraws the stop.

## Your Responsibilities as an Originator

- Obtain proper authorizations, dependent upon the transaction type, and retain authorizations for two years past revocation (See “Consumer Debit Authorizations”).
- If requested by the Bank, provide a copy of the authorization. First Interstate Bank may request to see your authorizations from time-to-time as part of an annual audit.
- Send entries on the proper date.
- Give appropriate notice to debtor if changing amount or date.
- Cease subsequent entries when notified.
- Make necessary changes to payee account information within six (6) banking days upon receipt of a Notification of Change or before another entry is sent.
- When creating an ACH file, the Originator must populate the Company Name Field with the name by which it is known and readily recognized by the Receiver of the entry.
- Agree not to originate entries that violate the laws of the United States.
- Protect the banking information received to originate transactions.
- Ensure your computer and you are protected as outlined in your First Interstate Bank Agreement.

## Direct Deposit Payroll Authorizations (Consumer)

- Use a direct deposit authorization form that collects employee account information. This form should allow the company to make credit and debit entries in the event a payroll adjustment is necessary.
- Obtain a voided check from the employee (if possible).
- The most common SEC code for direct deposits is PPD.

## Consumer Debit Authorizations

- For consumers, an authorization to debit an account must be in writing or “similarly authenticated.”
- The most common SEC code for consumer debits is PPD.

## Corporate Authorizations

- For companies, there must be an agreement between the two parties. While the NACHA Rules do not define an “agreement,” First Interstate Bank recommends you have the company complete an authorization form.
- Originator must be able to provide proof of authorization or originator contact information for entries to non-consumer accounts (commercial) if requested.
- The most common SEC code for corporate transactions is CCD. It is used for debits or credits.

## Changing Date or Amounts of Debits

- ACH Rules require you to notify your debtors of any changes in date or amount debited under the following circumstances:
  - Seven (7) calendar days notice for a change of date (consumer or corporate).
  - Ten (10) calendar days notice for a change in amount (consumer only).
- Sending the notice via U.S. Mail is acceptable.

## Pre-Notification (Prenotes)

- Prenotes are zero-dollar entries that precede the first live entry. The purpose of a prenote is to verify account information.
- Prenotes are optional for you to send. However, if sent, prenote rules must be followed and a prenote must precede the first live entry by at least three (3) banking days.
- The Receiving Bank is required to verify the account number on the prenote, but they are not required to validate the name of the payee on the prenote.

## Notice of Change

- When ACH information is incorrect, a Notification of Change (NOC) is sent by the Receiving Bank requesting that the future entries contain correct information. The ACH Rules require you to make the change within six (6) banking days of receiving the information from First Interstate Bank or before another entry is sent.
- The Receiving Bank warrants that the information they provided to you is correct.
- First Interstate Bank will notify you of any NOCs received on your behalf.
- First Interstate Bank may pass along any fines received based on your non-compliance.

## Returns

- Returns must be processed by the Receiving Bank within 24 hours of settlement. As an originator, First Interstate Bank recommends you view your account activity daily.
- An exception to the 24-hour rule is consumer unauthorized returns, which may be returned within sixty (60) calendar days of posting.
- The use of consumer (PPD) or corporate (CCD) entry codes determines the applicable ACH return rules.
- If the Receiving Bank receives a dispute claiming a debit was unauthorized, the Receiving Bank must obtain a signed *Written Statement of Unauthorized Debit* from the account holder. You may obtain a copy of that statement by requesting a copy through First Interstate Bank.

- The ACH Rules require that Originators must cease the origination of any ACH debit transactions when a previous ACH debit is returned as unauthorized or authorization revoked by the Receiver. The Originator must obtain a new Authorization prior to re-originating any future transactions.
- You may re-initiate a debit entry within 180 days, up to two (2) times, if you receive a return entry of “NSF or Uncollected Funds.” This gives the Originator a total of three (3) attempts at debiting an account. Re-initiated entries must contain identical content in the *Company Name*, *Company ID*, and *Amount* fields. Modifications can only be made to the extent necessary to correct an error or facilitate processing of entry. Re-initiated entries must contain “RETRY PYMT” in the *Company Entry Description* field.
- A “Stop Payment” return may be re-initiated only if you receive approval from the payee to re-send the item.
- It is a violation of NACHA Rules to re-initiate the debit entry if a return is received for any other reason.

## Reversals

- If a reversing entry must be made, please contact your local Treasury Solutions Representative or First Interstate’s ACH Department at 888-833-3450, option 1.
- Reversals may only be made for the following three (3) conditions:
  - Wrong dollar amount
  - Wrong account number
  - Wrong Transaction Code (Debit/Credit)
  - Duplicate transaction
- The ACH Rules require the Originator to make a reasonable attempt to notify the Receiver of, and the reason for, the reversing entry no later than Settlement Date of the reversing entry.
- ACH Reversals must be originated within five days.

## OFAC (Office of Foreign Asset Control)

- You are required to check payees against OFAC compliance checklists.
- OFAC lists contain countries, groups, and individuals with which U.S. Companies are not permitted to send or receive funds.
- The Bank must protect itself by informing every customer that it is against the law to send debit or credit entries to OFAC-blocked entities. This is also noted in your agreement with First Interstate Bank.
- You may check the OFAC SDN list at <https://sanctionssearch.ofac.treas.gov>.