



Important Terms for Automated Clearing House (ACH) Originators

ACH NETWORK – The ACH Network is a batch payment system which moves money and information directly from one bank account to another. First Financial Bank forwards entries received from its Originators to the Federal Reserve at the end of the each banking day. The Federal Reserve makes the entries available to each Receiving Bank and the Receiving Banks in turn credit or debit their customers' accounts.

NACHA RULES – The National Automated Clearinghouse Association (NACHA) serves as trustee of the ACH Network, managing the development, administration and rules for the payment network that connects all 12,000 financial institutions in the U.S. Banks, Originators, and Third Party Service Providers participating in the ACH Network agree to abide by the NACHA Rules. The online copy of the rules may be accessed at <http://www.achrulesonline.org/>

CREDIT ENTRY – An ACH entry that deposits (credits) funds to a Receiver's account.

DEBIT ENTRY – An ACH entry that withdraws (debits) funds from a Receiver's account.

ODFI (ORIGINATING DEPOSITORY FINANCIAL INSTITUTION) – First Financial Bank

RDFI (RECEIVING DEPOSITORY FINANCIAL INSTITUTION) – Receiver's bank.

ACH OPERATOR – The Federal Reserve

ORIGINATOR – A company that initiates an ACH debit or credit, through an ODFI or Third-Party Sender, to a Receiver.

RECEIVER – The company or individual that receives an ACH debit or credit entry from an Originator.

THIRD PARTY SERVICE PROVIDER (TPSP)* – An Organization (not an Originator, ODFI, or RDFI) that performs any functions on behalf of the Originator, ODFI and/or RDFI. This can include the creation of files or acting as a sending point or receiving point for a participating financial institution. (An organization acting as a Third-Party Sender also is a TPSP – see below). Examples of a TPSP: data processing service bureau, correspondent bank, payable through bank, a banker's bank, or even a financial institution acting on behalf of another financial institution.

THIRD PARTY SENDER (TPS)* - As revised in 2014, the definition of a Third-Party Sender is as follows: "A type of Third-Party Service Provider that acts as an intermediary in Transmitting Entries between an Originator and an ODFI, including through Direct Access, and acts on behalf of an Originator or another Third-Party Sender. A Third-Party Sender must have an Origination Agreement with the ODFI of the Entry. A Third-Party Sender is never the Originator for the Entries it transmits on behalf of another Organization. However, a Third-Party Sender of Entries may also be an Originator of other Entries in its own right." (Article Eight, Section 8.98)

**If your company originates ACH entries on behalf of an entity other than your own, a third-party agreement is required for compliance with the NACHA Rules. Please contact Treasury Management for more information by sending an email to TMClientSupport@ffin.com or by calling 877-627-7201.*

STANDARD ENTRY CLASS (SEC) CODES – SEC codes assigned to your ACH Entry indicate the type of entry as well as the return rules that apply to that entry (see attached).

PASS-THROUGH FILE – An ACH file in NACHA format created by your company’s software and uploaded to First Financial Bank using First Financial Bank’s ACH service.

ORIGINATOR RESPONSIBILITIES

- Obtain proper authorizations from Receivers and maintain copies of the authorizations for two (2) years after the authorization is revoked.
- Send entries on the proper date and cease entries when instructed.
- Check Receivers against the Office of Foreign Assets Control (OFAC) checklists (see below).
- Protect all payment information throughout the process to comply with NACHA’s data security requirements.
- Maintain up to date anti-virus security software on your computer systems following the terms of your ACH Agreement with First Financial Bank.
- Require confidentiality of all user names and passwords to prevent unauthorized access.
- Change Receiver information within (6) banking days after receiving a Notification of Change or before sending another entry to the same Receiver.

AUTHORIZATIONS FROM CONSUMERS

- Originators of debit entries are required to obtain an authorization from a consumer receiver in writing and signed by the receiver or similarly authenticated before initiating a debit entry.
- First Financial Bank reserves the right to request a copy of the authorization at any time to verify an ACH entry.

AUTHORIZATIONS FROM BUSINESSES

- Originators are required to obtain an authorization from a non-consumer (business) receiver before initiating a credit or debit entry to their account. Although the NACHA Rules do not specify that this authorization must be in writing it is highly recommended that it is obtained in writing to support the agreement between your company and your receiver.
- First Financial Bank reserves the right to request proof of an authorization at any time to verify an ACH entry.

OFAC (Office of Foreign Assets Control)

- The U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) maintains and updates a master list of countries, groups and individuals that are considered “blocked parties.” Originators are required to comply with OFAC-enforced sanctions policies and are prohibited from initiating ACH entries to blocked parties.
- The Bank must protect itself by informing every customer that it is against the law to send debit or credit entries to those listed on OFAC’s Sanctions List.
- Check your Receivers against the OFAC Specially Designated Nationals and Blocked Persons list found on the following website: <http://sdnsearch.ofac.treas.gov>

PRE-NOTIFICATION (PRENOTE)

- A prenote is a zero dollar ACH entry sent with the purpose of verifying the account information of the Receiver.
- The Receiving Bank is not required to validate the name of the Receiver on the prenote, it is only required to verify the account number. Prenotes are not mandatory; however, if a prenote is sent, a live dollar entry may not be sent for at least three (3) banking days.

CHANGING THE DATE OR AMOUNT OF RECURRING ACH DEBITS

- You must notify your business and consumer Receivers seven (7) calendar days before the effective date of the recurring ACH Debit entry if the date of the entry will change.
- You must notify consumer receivers ten (10) calendar days before the effective date of the recurring ACH Debit entry if the amount of the entry will change.

RETURNS

- First Financial Bank will notify you within 2 banking days if a return is received.
- An ACH entry may be returned to your company for administrative reasons, such as an incorrect account number or if the Receiver claims the entry is unauthorized.
- If an entry is returned as unauthorized, you must cease initiating entries to that Receiver and obtain a new authorization before sending additional entries.
- An entry returned to you for insufficient or uncollected funds may be reinitiated up to two (2) times within 180 days. It is in violation of the NACHA Rules to re-initiate a debit entry if a return is received for any other reason.
- You must maintain a return ratio of less than 3% for administrative returns and less than 0.5% of unauthorized returns during a 60 day period (see attached for list of return codes).
- If your company exceeds the 3% or 0.5% return ratios, First Financial Bank reserves the right to suspend ACH services.
- See enclosed list for Return Reason codes.

REVERSALS

- NACHA Rules allow reversals due to wrong dollar amount, wrong account number, or duplicate transaction.
- Reversals may be sent no later than 5 banking days after the effective date of the original entry.
- NACHA Rules state that your company must make a reasonable attempt to notify the Receiver of the reason for the reversal before the effective date of the reversing entry.
- Reversals are created by First Financial Bank – please contact Treasury Management at TMClientSupport@ffin.com or 877-627-7201 if you need to request a reversal.

NOTICE OF CHANGE (NOC)

- When ACH Entry information is incorrect, the Receiving Bank may send a Notification of Change (NOC) to First Financial Bank to request future entries to the Receiver contains the corrected information (see enclosed list of Change Codes).
- First Financial Bank will notify you within two (2) banking days if an NOC is received for your company.
- For future ACH entries to the receiver, the change must be made within 6 banking days or before the next entry is sent.

Standard Entry Class (SEC) Codes (most common)

Code	Title	Description	Consumer or Business	Debit/Credit
PPD	Prearranged Payment and Deposit Entry	Recurring entry for all direct deposit of payroll, pension, etc., or for direct payment of recurring bills such as utilities, loans, insurance, etc.	Sent to Consumer Accounts only.	Debit or Credit
CCD	Corporate Credit or Debit	The transfer of funds between business accounts or to consolidate funds from several accounts of the same business. May have one addenda record attached.	Sent to Business Accounts Only	Debit or Credit
CTX	Corporate Trade Exchange	A business entry with up to 9,999 addenda records attached.	Sent to Business Accounts Only	Debit or Credit

Return Entry Codes (most common)

Unauthorized Returns	
R05	Unauthorized Debit to Consumer Account Using Corporate SEC Code
R07	Authorization Revoked by Customer
R10	Customer Advises Entry is Unauthorized, Improper, Ineligible, or Part of an Incomplete Transaction
R29	Corporate Customer Advises Not Authorized
R51	Item Related to Re-presented Check (RCK) Entry is Ineligible or RCK Entry is improper

Administrative Returns	
R01	Insufficient Funds
R02	Account Closed
R03	No Account / Unable to Locate Account
R04	Invalid Account Number

Notification of Change Codes (most common)

C01	Incorrect Account Number
C02	Incorrect Routing Number
C03	Incorrect Account Number and Routing Number
C05	Incorrect Transaction Code
C06	Incorrect Account Number AND Incorrect Transaction Code
C07	Incorrect Routing Number, Account Number AND Transaction Code

Transaction Codes

Transaction Type	Transaction Code	Pre-note Transaction Code
Checking Account – Credit	22	23
Checking Account – Debit	27	28
Savings Account – Credit	32	33
Savings Account - Debit	37	38