



Dear ACH Originator:

Every year, the National Automated Clearing House Association (Nacha) publishes new rules that expand upon ACH services or requirements related to ACH entries. As your business partner, First Financial Bank N.A. wants to ensure your continued compliance with the National Automated Clearing House Association's (Nacha) Operating Rules and Originator Responsibilities covering the payments you make when you originate electronic payments through the Automated Clearing House (ACH) Network.

The Nacha rules, as well as processing deadlines and retention periods, are available on Nacha's website at www.nacha.org. Links are available for the specific information you need.

Federal holiday schedules are published and available on the following web site: <https://www.frbervices.org/about/holiday-schedules/>. By navigating to the URL, you will find the holiday schedule for the Federal Reserve Bank through 2025. Keep in mind, a payment cannot have an effective date on a Federal holiday because the Federal Reserve is not open for processing. Therefore, it is important you take note of the holiday schedule to make sure the payments you send arrive on time.

Here are a few of the new Rules that may affect you:

Micro-entries

Phase 1 – September 16, 2022

The term Micro-entry is defined as ACH credits of less than \$1, and any offsetting ACH debits, used for the purpose of verifying a Receiver's account. Originators will be required to use the standard entry description of **ACCTVERIFY** and follow other origination practices such as recognizable Company Name by the receiver. Micro-entry credits must be equal to or greater than the value of the debit Micro-entries.

Phase 2 – March 17, 2023

Originators of Micro-entries will be required to use commercially reasonable fraud detection, including the monitoring of Micro-entry forward and return volumes.

Third-party sender roles and responsibilities – How this could affect you.

Effective June 30, 2022 - This Rule addresses nested third party relationships and requires an origination agreement between the third-party sender (TPS) and the nested TPS relationships.

Are you a third-party sender?

Third-party senders are businesses transmitting ACH entries on behalf of another business which does not have a banking relationship or and ACH origination contract with First Financial Bank N. A. A good example of this relationship is an accounting firm managing payroll services for their clients. Last year, Nacha Rules required that all Third-Party Senders must be registered with Nacha as a third-party sender.

Third-party sender annual audit requirement – Will this affect you?

Each year by December 31, third-party senders must retain proof that an audit of compliance with the Rules has been completed (See Nacha 2021 Operating Rules OG273 and OR210.8.3 for details). Nacha may request proof of the audit at which time, third-party senders have 10 banking days to provide such proof.

Third-party sender annual risk assessment – Will this affect you?

Third-party senders are obligated to perform an annual risk assessment to identify potential risks related to operations, liquidity, returns, credit, fraud, compliance and reputational risk. Guidance for performing an assessment can be found at www.nacha.org.

Fraud mitigation – How to prevent fraudulent origination

You and your company play an important role in maintaining the proper security over protected information obtained as an ACH payment originator. In context of payment originations, protected information may be referred to as non-public information and is defined as the non-public personal information, including financial information, of a natural person used to create an entry, or contained within an entry, and any related addenda record.

Due to the increased focus on privacy of data and the threats from data breaches and other unscrupulous activity, such as:

- corporate account takeovers
- viruses
- network intrusions
- employee/email fraud
- hacking

Originators must be vigilant in their effort to protect the security of the protected information. Your company is required to establish, implement, and update, as appropriate, policies, procedures, and systems (including controls) with respect to the initiation, processing, and storage of Protected Information that are designed to:

- (a) protect the confidentiality and integrity of Protected Information until its destruction;
- (b) protect against anticipated threats or hazards to the security or integrity of Protected Information until its destruction;
- (c) protect against unauthorized use of Protected Information that could result in substantial harm to a natural person.

Furthermore, it is a requirement of First Financial Bank, N.A. that all Protected Information is to be protected by its ACH originators/third-parties. **Your company is responsible for following up with any employee email request to change their depositing account numbers with a phone call to a phone number per your records on file, not included in the email request.**

Any time you have questions about ACH or any of our Treasury Management products, please call Treasury Management Client Support at 1-877-627-7201.

Most of all, thank you for banking with us at First Financial!

Sincerely,

Treasury Management Services