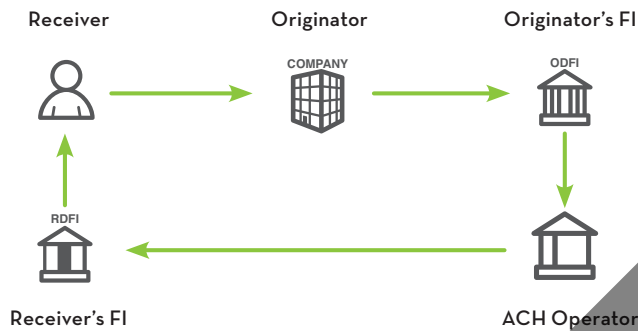


WHAT IS THE ACH NETWORK?

The Automated Clearing House (ACH) Network is the backbone for the electronic movement of money and other related data, providing a safe, secure, reliable network for direct consumer, business and government payments. The ACH Network is governed by fair and equitable *Rules* that guide risk management and create certainty for all participants. As the migration from paper to electronic payment continues, the cost-effective ACH Network grows and enables innovation that strengthens the industry with creative payment solutions.



WHO ARE THE ACH PARTICIPANTS?

There are five key participants that contribute to the successful completion of an ACH transaction:

- The **Receiver** can be either an individual or a company that has authorized the Originator (your company) to credit or debit their account. An employee is the Receiver if their company is initiating a payroll credit. A business partner is the Receiver if the Originator is sending a credit to pay for goods or services.
- The **Originator** is the company or business that has been authorized by the Receiver to either credit or debit their account. Your company is the Originator when you are initiating credit transactions to an employee's account for payroll or when you are initiating debit transactions to a consumer or business account for payment of goods or services.
- The **Originating Depository Financial Institution (ODFI)** is the financial institution with which your company has a contractual relationship for ACH Services.
- The **ACH Operator** is the central clearing facility for ACH transactions.
- The **Receiving Depository Financial Institution (RDFI)** is a financial institution with which the Receiver has an account relationship.

WHAT IS A PRENOTIFICATION (PRENOTE)?

Prenotifications (prenotes) are non-monetary entries used by your company to verify the account number on an entry is for a valid account at an RDFI. Prenotes are optional and can be sent with any ACH application.

If your company chooses to send prenotes, you may transmit the initial valued entry as soon as the third banking day* following

the Settlement Date of the prenote; that is, provided you have not received a notification of change (NOC) or return of the prenote. An NOC or return will be sent by the RDFI to notify your company of the necessary corrections to be made.

*A banking day is a calendar day other than Saturday, Sunday or a Federal holiday.

TRANSACTION CODES

ACH entries may be directed to a variety of account types. Both credit and debit entries may be transmitted to demand accounts (a.k.a. checking, NOW and sharedraft), savings accounts and

financial institution general ledger accounts. Only credit entries may be transmitted to loan accounts.

Demand (Checking) Credits	
Code	Description
21	Notification of Change or Return
22	Deposit
23	Prenotification
24	Zero dollar with remittance data

Savings Credits	
Code	Description
31	Notification of Change or Return
32	Deposit
33	Prenotification
34	Zero dollar with remittance data

Financial Institution General Ledger Credits	
Code	Description
41	Notification of Change or Return
42	Deposit
43	Prenotification
44	Zero dollar with remittance data

Demand (Checking) Debits	
Code	Description
26	Notification of Change or Return
27	Payment
28	Prenotification
29	Zero dollar with remittance data

Savings Debits	
Code	Description
36	Notification of Change or Return
37	Payment
38	Prenotification
39	Zero dollar with remittance data

Financial Institution General Ledger Debits	
Code	Description
46	Notification of Change or Return
47	Payment
48	Prenotification
49	Zero dollar with remittance data

WHAT IS AN ACH APPLICATION?

ACH applications are payment types used by Originators, such as your company, to identify ACH debit and/or credit entries transmitted to a corporate or consumer account at the RDFI. Each ACH application is identified and recognized by a specific

Standard Entry Class (SEC) code. The SEC code also identifies the specific record layout that will be used to carry the payment and payment-related information. Refer to Appendix 3 of the *ACH Rules* for specific formatting requirements.

ACH APPLICATION	SEC CODE	APPLICATION USE	DEBIT/CREDIT	CONSUMER/CORPORATE	AUTHORIZATION REQUIREMENT
Accounts Receivable Entries	ARC	Convert checks received via the U.S. mail, drop box or manned bill payment location and collect the funds via the ACH Network. Check must be in an amount of \$25,000 or less.	Debit	Consumer/Corporate	Notification
Back Office Conversion	BOC	Convert checks received at the point-of-sale or manned bill payment location to ACH transactions in the back office. Check must be in an amount of \$25,000 or less.	Debit	Consumer/Corporate	Notification
Corporate Credit or Debit	CCD	Make regular payments or distribute or consolidate funds between corporate entities.	Credit or Debit	Corporate	Agreement
Corporate Trade Exchange	CTX	Transfer funds within a trading partner relationship, including payment-related information.	Credit or Debit	Corporate	Agreement
International ACH Transactions	IAT	Entry that involves a financial agency's office that is not located in the territorial jurisdiction of the U.S.	Credit or Debit	Consumer/Corporate	For Consumer credit entries: Oral or non-written means; For Consumer debit entries: Written; For Corporate entries: Agreement
Point-of-Sale	POS	ACH entry typically initiated by the use of a merchant-issued plastic card to pay an obligation at the point-of-sale.	Debit	Consumer	Written
Point-of-Purchase	POP	Convert checks received at the point-of-sale or manned bill payment location to ACH transactions upon receipt. Check must be in an amount of \$25,000 or less.	Debit	Consumer/Corporate	Notification and Written
Direct Deposit	PPD	Payroll, expense reimbursement, etc.	Credit	Consumer	Oral or non-written means
Direct Payment	PPD	Preauthorized bill payment.	Debit	Consumer	Written
Re-presented Check Entries	RCK	Collect funds via the ACH Network for consumer checks returned insufficient or uncollected funds. Check must be in an amount less than \$2,500.	Debit	Consumer	Notification
Telephone-Initiated Entries	TEL	ACH entry initiated pursuant to an oral authorization obtained via the telephone.	Debit	Consumer	Verbal
Internet-Initiated/Mobile Entries	WEB	ACH entry initiated pursuant to an authorization obtained via the Internet or mobile device (except when a verbal authorization is used on the mobile device).	Debit	Consumer	Similarly Authenticated

- Written authorizations may be in accordance with the Electronic Signatures in Global and National Commerce (E-Sign) Act. Electronic signatures include, but are not limited to, digital signatures and security codes.
- An RDFI may request, in writing, proof of authorization for all entries. For **consumer** entries, your company must provide a copy of the authorization. For **corporate** entries, you are required to provide your ODFI with either a copy of the authorization or contact information, including a contact name and phone number or email address for inquiries. Your ODFI must be able to provide proof of authorization for all entries to the RDFI within 10 banking days of the RDFI's request.