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ORIGINATING ACH ENTRIES QUICK REFERENCE GUIDE

The following information has been provided so that customers can be familiar with their requirements under the NACHA Operating Rules (The Rules). This quick reference guide is one of the Operating Instructions referred to in the Tompkins Commercial Cash Management Services Terms and Conditions booklet (the "Master Agreement") and was developed to give customers an overview of important information you should be aware of as an originator of ACH transactions. This document does not cover all of the NACHA Operating Rules, and is not intended to be legal advice. Customers can visit NAHCA.org for a complete version of the Operating Rules.

GENERAL INFORMATION

- ACH entries are categorized as “consumer” or “corporate”
- ACH is a batch system (not real time)
- Once sent to the ACH Operator, entries are final
- ACH is capable of crediting or debiting checking or savings accounts
- Most banks and credit unions receive ACH entries
- An ACH Originator is an entity or person that creates an ACH transaction

COMPLIANCE WITH RULES AND APPLICABLE LAW

As an ACH Originator, a customer is required to abide by the current NACHA Operating Rules, the Agreement (as defined in the Master Agreement) and all applicable laws and regulations. The Originator can request a copy of the Rules from the Bank at any time. As part of the Agreement, an originator agrees to comply with and be bound by the NACHA Operating Rules, agrees to comply with applicable state and federal law or regulations and warrants that it will not transmit any Entry or File that violates the laws of the United States, including regulations of and sanctions enforced by the Office of Foreign Asset Control (OFAC). It is the responsibility of the Originator to obtain information regarding such enforced sanctions. OFAC information may be obtained directly from the OFAC Compliance Hotline at (800) 540-OFAC.

ORIGINATOR RESPONSIBILITIES

It is the responsibility of the Originator of ACH payments to:

- Protect any banking information received;
- Send entries on the proper date according to the effective date of payments;
- Make necessary changes to payee account information within 6 banking days of notification of a returned ACH item or a notification of change (NOC). The bank will provide any returned item or NOC information to you;
- Cease subsequent entries when appropriate;
- Ensure proper authorization for all payments originated (see Originator Requirements for authorization rules);
- Ensure all payments comply with NACHA Operating Rules, and all applicable regulations.

NOTIFICATION OF CHANGE (NOC)

- The bank will notify you of any NOCs received on your behalf



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- When ACH information is incorrect, a notification of change (NOC) is sent by the receiving bank requesting that future entries contain corrected information. ACH Rules require you to make the change within six (6) banking days of receiving the information from the bank.
- The receiving bank warrants that the information they provide is correct.

AUTHORIZATION

In general, the Originator must obtain the Receiver's written authorization to initiate entries through the ACH network to the Receiver's account.

The authorization must;

- Be readily identifiable as an ACH authorization;
- Have clear and readily understandable terms; and
- Provide that the receiver may revoke the authorization by notifying the originator in the manner specified by the authorization.
- Be signed or similarly authenticated by the Receiver.

The originator must retain an original or copy of the written authorization for a period of two years following the termination or revocation of the authorization and provide the receiver a copy within NACHA time frames.

ORIGINATOR REQUIREMENTS

Originators that use the various ACH applications (SEC Codes) must be sure to comply with the requirements associated with the particular application (SEC Code). Each Entry type has specific conditions that must be met in order for the entry to be considered properly authorized under the NACHA Operating Rules (the Rules).

ACH Origination Services Offered: The following are bank approved ACH Standard Entry Class (SEC) Codes and include "Additional Originator Obligations" for each Standard Entry Class Code:

PPD – Prearranged Payment and Deposit Entry

CCD – Corporate Credit and Debit Entry

ARC – Accounts Receivable Entry

BOC – Back Office Conversion Entry

POP – Point-of-Purchase

RCK – Re-Presented Check Entry

TEL – Telephone-Initiated Entry

WEB – Internet-Initiated Entry



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ORIGINATING PPD ENTRIES:

The PPD SEC Code is used for debit or credit entries. *Direct Deposit* (credit) is a credit application that transfers funds into a consumer's account at the Receiving Bank (RDFI). *Direct Payment* is a debit transaction where a consumer authorizes a corporate originator to initiate a debit, either one time or recurring, to his or her account.

Authorization for a Direct Deposit credit entry can be verbal. Authorization for a Direct Payment debit entry is obtained by collecting a written authorization from the Receiver.

When Originating a PPD Credit entry to a consumer account, the Originator must:

- Obtain an authorization from the Receiver that is readily identifiable as an authorization and has clear and readily understandable terms. Authorization for a PPD Credit entry is not required to be in writing.

When originating a PPD Debit entry (direct payment) to a consumer account, an Originator must:

- Provide the Receiver with a written authorization that is readily identifiable as an ACH debit authorization and contains clear and readily understandable terms;
- Obtain the Receiver's agreement to the terms of the authorization via his/her signature; and
- Obtain the Receiver's authorization for a return free entry originated using the PPD SEC Code by either (1) obtaining the Receiver's written authorization, or (2) providing the Receiver with the required notice.

ORIGINATING CCD ENTRIES:

The CCD SEC Code is used for credit or debit entries where funds are transferred between unrelated corporate entities, or transmitted as intra-company cash concentration and disbursement transactions.

Authorization for CCD entries is based on an agreement between the corporate Originator and Receiver, which binds each entity to the ACH rules.

When originating a CCD entry to a non-consumer account, an Originator must:

- Obtain the corporate Receiver's authorization to originate entries to the Receiver's account; and
- Obtain the corporate Receiver's agreement to be bound by the NACHA operating rules.

ORIGINATING ARC ENTRIES:



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The ARC Sec Code is used when an Originator is converting an eligible check received via the US mail or delivery service, at a dropbox location, or in person for payment of a bill at a manned location to a single-entry ACH Debit.

Authorization for an ARC entry is obtained through notice provided to the Receiver by the Payee and the Receiver's going forward with the transaction.

When originating an ARC entry, and Originator must:

- Prior to accepting each check, provide the Receiver with a conspicuous notice that has clearly and readily understandable terms;
- Provide a copy of the notice, or language that is substantially similar, to the Receiver at the time of the transaction when the source document for the ARC entry is provided by the Receiver in-person for payment of a bill at a manned location;
- Obtain an eligible source document (i.e., a check) via the US mail, dropbox, delivery service or in person for payment of a bill at a manned location;
- Use a reading device to capture MICR information;
- Retain a copy of the front of the eligible source document (i.e., a check) for 2 years, and provide it to the ODFI (bank) upon request, and;
- Securely store the eligible source document until destroyed.

Originator Warranties:

1. The Originator warrants that only eligible items will be converted into electronic transactions.
Ineligible items include:
 - a. Checks that include an Auxiliary On-us field in the MICR line;
 - b. Checks in the amount greater than \$25,000;
 - c. Third party checks;
 - d. Remotely created checks as defined by Regulation CC;
 - e. Credit card checks;
 - f. Money orders;
 - g. Obligations of financial institutions (cashier's checks, official checks, traveler's checks);
 - h. Treasury checks, federal, state or local government checks, Federal Reserve or Federal Home Loan Bank checks;
 - i. Checks drawn on an investment Third Party Sender;
 - j. Checks drawn on home equity lines of credit; and
 - k. Checks payable in a medium other than U.S. currency.
2. The Originator warrants that they will only convert items that were received at a lockbox or drop box location.
3. The Originator warrants that it has notified the Receiver, in advance of receiving the source document, in a clear and conspicuous manner, that receipt of the item will authorize an ACH debit to the Receiver's account. This must be done for *every* transaction.
4. During initial processing the Originator will not key-enter information that was read off the MICR line. (If there are errors in the MICR line those may be corrected after the first pass.)
5. Each item converted by the Originator must include a preprinted serial number and must be signed by the Receiver.



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6. The Originator warrants that the information used to create the ACH debit is accurate and that the item itself will not be presented for payment unless returned by the RDFI.
7. The source documents will be securely stored in a locked, secure location until destruction. Destruction will occur in accordance with the Rules by shredding or other reasonable means to ensure the item cannot be reconstructed.
8. The Originator must retain a reproducible, legible image or copy of the front of the source document for a period of two years from the settlement date of the entry.
9. Upon receipt of a written request, the Originator will produce and send a copy of a source document to the requesting financial institution within 10 banking days.

ORIGINATING BOC ENTRIES:

The BOC SEC Code is used when an Originator converts, during back office processing, an eligible check received at the point of purchase or manned bill payment location to a single entry ACH Debit.

Authorization for a BOC entry is obtained through a notice provided by the Originator at the point of purchase or manned bill payment location and the Receiver's going forward with the transaction.

When originating a BOC entry, and Originator must:

- Provide the Receiver with a conspicuous notice that has clear and readily understandable terms;
- Provide a copy of the notice or substantially similar language to the Receiver at the time of the transaction;
- Obtain an eligible source document (i.e., a check) at the point of the in-person transaction;
- Verify the identity of the Receiver;
- Use a reading device to capture the MICR information;
- Retain a copy of the front of the eligible source document for 2 years, and provide it to the ODFI (Bank) upon request;
- Securely store the eligible source document until destroyed; and
- Maintain a telephone number for customer inquiries.

Originator Warranties:

1. The Originator warrants that only eligible items will be converted into electronic transactions.

Ineligible items include:

- a. Checks that include an Auxiliary On-Us field in the MICR line;
- b. Checks that have not been encoded in magnetic ink;
- c. Checks in the amount greater than \$25,000;
- d. Third party checks;
- e. Remotely created checks, as defined by Regulation CC;
- f. Credit card checks;
- g. Money orders;
- h. Obligations of financial institutions (cashier's checks, official checks, traveler's checks);



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- i. Treasury checks, federal, state or local government checks, Federal Reserve or Federal Home Loan Bank checks;
 - j. Checks drawn on an investment Third Party Sender;
 - k. Checks drawn on home equity lines of credit;
 - l. Checks payable in a medium other than U.S. currency.
2. The Originator warrants that they will only convert items that were received at the point of purchase and then converted in the back office.
3. The Originator warrants that it has notified the Receiver, in advance of receiving the Receiver's source document, in a clear and conspicuous manner, that receipt of the item will authorize an ACH debit to the Receiver's account. This must be done for *every* transaction.
4. The Originator must establish and maintain a working customer service telephone number that is answered during normal business hours. This number must be displayed on the notice.
5. During initial processing, the Originator must use a reading device to capture the information off the MICR line. (If there are errors in the MICR line, those may be corrected after the first pass.)
6. Each item converted by the Originator must include a preprinted serial number and must be signed by the Receiver.
7. The Originator warrants that the information used to create the ACH debit is accurate and that the item itself will not be presented for payment unless returned by the RDFI.
8. The source documents will be securely stored in a locked, secure location until destruction. Destruction will occur in accordance with the Rules by shredding or other reasonable means to ensure the Item cannot be reconstructed.
9. The Originator must retain a reproducible, legible image or copy of the front of the source document for a period of two years from the settlement date of the entry.
10. Upon receipt of a written request, the Originator will produce and send a copy of a source document to the requesting financial institution within 10 banking days.
11. The Originator must employ a commercially reasonable process to verify the identity of the Receiver.

ORIGINATING POP ENTRIES:

The POP is a single-entry debit application based on a written authorization from the Receiver and notice provided by the Originator at the point of purchase or manned bill payment location.

Authorization for POP entries is based on the notice to the customer and the signed authorization, and the customer going forward with the transaction. The source document (i.e., check), which is voided by the merchant and returned to the Receiver at the point of purchase, is used to collect the Receiver's routing number, account number, and check serial number to generate the debit entry to the Receiver's account.

When originating a POP entry, an Originator must:

- Provide the Receiver with a conspicuous notice that has clear and readily understandable terms;
- Obtain an eligible source document at the point of the in-person transaction;
- Use a reading device to capture MICR information;
- Void the eligible source document and return it to the Receiver;
- Obtain a written, signed authorization; and



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- Provide a copy of the notice at the time of the transaction.

Originator Warranties:

1. The Originator warrants that only eligible items will be converted into electronic transactions.

Ineligible items include:

- a. Checks that include an Auxiliary On-Us field in the MICR line;
 - b. Checks that have not been encoded in magnetic ink;
 - c. Checks in the amount greater than \$25,000;
 - d. Third party checks;
 - e. Remotely created checks, as defined by Regulation CC;
 - f. Credit card checks;
 - g. Money orders;
 - h. Obligations of financial institutions (cashier's checks, official checks, traveler's checks);
 - i. Treasury checks, federal, state or local government checks, Federal Reserve or Federal Home Loan Bank checks;
 - j. Checks drawn on an investment Third Party Sender;
 - k. Checks drawn on home equity lines of credit;
 - l. Checks payable in a medium other than U.S. currency.
2. The source document provided to the Originator for use in obtaining the Receiver's routing number, account number, and check serial number for the initiation of the entry is (1) returned voided to the Receiver, and (2) has not been provided by the Receiver for use in any prior transaction.
 3. An Originator of POP entries must provide each Receiver with a receipt that contains the required information with respect to each POP entry initiated to the Receiver's account. That information must include:
 - a. Merchant's name (Originator name)
 - b. Originator phone number
 - c. Date of the transaction
 - d. Source document serial number
 - e. Merchant number (an identifier so the merchant can determine where the transaction transpired)
 - f. Terminal City
 - g. Terminal
 - h. State
 4. Prior to the receipt of each source document, the Originator warrants that it has notified the Receiver, in a clear and conspicuous manner, that receipt of the item may authorize an ACH debit to the Receiver's account. This must be done for *every* transaction.
 5. The Originator must be able to produce a copy of a signed authorization for any entry generated as a POP entry for two years after the date of the transaction. (Usually on the sales receipt).

ORIGINATING RCK ENTRIES:

The RCK SEC Code is used when an Originator creates a single entry debit transaction to re-present a check that has been processed through the check collection system and returned because of insufficient or uncollected funds.

Authorization for an RCK entry requires written notice to the Receiver prior to receipt of each source document (i.e., check) that any check returned for insufficient or uncollected funds may be re-presented electronically via ACH.



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When originating a RCK entry to a consumer account, an Originator must:

- Agree with its ODFI (Originating Bank) that any restrictive endorsement made by the Originator or its agent on the item to which the RCK entry relates is void or ineffective upon initiation of the RCK entry;
- Provide the Receiver with a conspicuous notice that has clear and readily understandable terms;
- Use an eligible item;
- Retain a copy of the front and back of the eligible item for 7 years, and provide it to the ODFI upon request. If the item has been paid, the copy provided to the ODFI must be so marked;
- Not reinitiate an RCK entry more than one time within 180 days of the settlement date of the original entry, provided that the terms item to which the RCK relates has been presented no more than one time through the check collection system, and one time as an RCK entry.

Originator Warranties:

1. The Originator warrants that they will only originate an RCK item if the following conditions are met:
 - a. The item is a consumer check under \$2,500
 - b. It was returned as NSF or uncollected funds
 - c. The Originator has Good Title -- ODFI is entitled to or is authorized to obtain payment for the returned item
 - d. The signature is genuine -- all signatures on the returned item are authentic and authorized
 - e. The check has not been altered
 - f. There are no defenses -- there are no claims against the ODFI for the item.
 - g. There is no knowledge of insolvency
 - h. The RCK entry is accurate -- item is drawn on RDFI; amount, item number, and account number match information on item
 - i. The item itself will not be presented; the item to which the RCK entry relates will not be presented to the RDFI for payment
 - j. Encoding of the item is correct -- the information encoded after issue in magnetic ink on the item is correct
 - k. Restrictive endorsements are void -- any restrictive endorsement made by the Originator or its agent on the item is void or ineffective upon initiation of the RCK entry
 - l. A copy of the item may be requested -- RDFI may request a copy of the front and back of the item within 7 years. ODFI warrants that the Originator is maintaining copy of front and back and that it can be provided within 10 days.
 - m. The Entry information is accurate.
2. The Originator must provide the consumer with a notice that clearly and conspicuously states the terms of the represented check entry policy in advance of receiving the item to which the RCK entry relates.
3. The RCK entry is processed for the face value of the returned item (any return item fee collected must be authorized and processed separately).

ORIGINATING TEL ENTRIES:



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The TEL SEC Code is used to originate a debit entry to a consumer's account based on an oral authorization obtained from the consumer via the telephone. This type of transaction may only be originated when (1) there is an existing relationship between the Originator and the Receiver, or (2) where no relationship exists between the Originator and the Receiver, but the Receiver has initiated the telephone call.

Authorization for a TEL entry is obtained orally via the telephone, where the Originator must clearly state that the Receiver is authorizing an ACH debit to the Receiver's account, and the Receiver must explicitly consent.

When originating a TEL entry to a consumer account, an Originator must:

- Obtain oral authorization from the Receiver via the telephone. The authorization must be readily identifiable as an authorization and must have clear and readily understandable terms;
- Provide the required minimum information as part of the authorization;
- For Single-Entry TEL entries, make an audio recording of the oral authorization, *or* provide the Receiver with written confirmation of the oral authorization prior to the settlement date of the entry. The Originator must also retain a reproducible copy of the recording or written confirmation for 2 years from the date of the authorization;
- For recurring TEL entries, make an audio recording of the oral authorization and provide the Receiver with written confirmation of the oral authorization prior to the settlement date of the first entry. The Originator must also retain for 2 years from termination or revocation of the authorization (1) the original or a duplicate audio recording of the oral authorization and (2) evidence that a copy of the authorization was provided to the Receiver;
- Verify the identity of the Receiver; and
- Verify that the routing number is valid.

Originator Warranties:

1. Originator has employed commercially reasonable procedures to verify the identity of the Receiver.
2. Originator has utilized commercially reasonable procedures to verify that routing numbers are valid.
3. The Originator warrants that the receiving consumer has orally authorized a single or recurring transaction. The authorization must be readily identifiable as an authorization and must clearly state its terms. A TEL entry may only be used when there is an Existing Relationship between the Originator and the Receiver, or, when there is not an Existing Relationship between the Originator and the Receiver, when the Receiver initiates the telephone call.

The following minimum information must be included as part of the single entry authorization:

- The date on or after which the debit will occur
- The amount of the entry
- The consumer's name
- The account to be debited
- A phone number for inquiries that is answered during normal business hours
- The date of the oral authorization
- A statement by the Originator that the authorization was obtained from the consumer for a single-entry ACH debit

The following minimum information must be included as part of an authorization for recurring entries:

- The timing (including the start date), number and/or frequency the debits will occur



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- The amount of the recurring entry
 - The consumers name
 - The account to be debited
 - A phone number for inquiries that is answered during normal business hours
 - The date of the oral authorization
4. For single entry TEL entries, the Originator warrants that the authorization is either tape recorded, or a notice is sent to the consumer prior to the settlement date of the debit. For recurring TEL entries, the authorization must be recorded and a copy of the authorization must be sent to the consumer.

ORIGINATING WEB ENTRIES:

The WEB SEC Code is used for internet initiated/Mobile entries. These debit or credit entries are transmitted to a consumer Receiver's account. WEB entries can be either single or recurring.

Debit WEB Entries – Debit WEB Entries are used by non-consumer Originators to debit a consumer based on an authorization that is communicated, other than by an oral communication, from the Receiver to the Originator via the Internet or wireless network.

Credit WEB Entries – Credit WEB Entries, also known as Person to Person (P2P) transactions, are used when payments are exchanged between consumers.

Authorization for a WEB entry is obtained via a written authorization from the Receiver (1) via the internet or a wireless network; or (2) in any manner permissible under the Rules, if the Receiver's instruction for the initiation of a debit entry is designed by the Originator to be communicated, other than by an oral communication, via a wireless network.

When originating a debit WEB entry to a consumer account, an Originator must:

- Obtain written authorization from the Receiver (1) via the internet or a wireless network; or (2) in any manner permissible under the Rules, if the Receiver's instruction for the initiation of a debit entry is designed by the Originator to be communicated, other than by an oral communication, via a wireless network;
- Use a commercially reasonable fraudulent transaction detection system to screen each debit WEB entry that, at a minimum, validates the account to be debited for the first use of such account number, and for each subsequent change to such account number (acceptable methods of validating an account number include the use of a ACH micro-transaction verification, use of a commercially available validation service provided by an ODFI or a third-party and use of account validation capabilities or services enabled by APIs);
 - If using 'Micro-Entries' originators must use "ACCTVERIFY" in the company entry description field.
 - Company name must be easily recognizable to Receivers and the same or similar to what will be used in subsequent entries.
- Verify the Receiver's identity;
- Verify the routing number associated with that entry is valid;



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- Conduct annually an audit of data security practices for Receiver's financial information.

Originator Warranties:

1. The Originator will employ a commercially reasonable method of authentication to verify the identity of the consumer.
2. The Originator will employ a commercially reasonable fraudulent transaction detection system to screen each entry that, at a minimum, validates the account to be debited for the first use of such account number, and for each subsequent change to such account number.
3. The Originator will employ commercially reasonable procedures to verify the routing number used in the entry is valid.
4. The Originator will conduct an audit annually, and share this audit with the financial institution, to ensure that the financial information it obtains from Receivers is protected by security practices and procedures that include, at a minimum, adequate levels of:
 - a) Physical security to protect against theft, tampering, or damage;
 - b) Personnel and access controls to protect against unauthorized access and use; and
 - c) Network security to ensure secure capture, storage and distribution.



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The following sample authorizations are provided only as a sample of an ACH authorization, and is not intended as legal advice. To ensure compliance with the rules please review your authorization and your requirements under the NACHA Operating Rules.

AUTHORIZATION AGREEMENT FOR DIRECT DEPOSITS (ACH CREDITS)

Company Name

Company ID Number

I (we) hereby authorize _____, hereinafter called COMPANY, to initiate credit entries to my (our) Checking Account / Savings account (select one) indicated below at the depository financial institution named below, hereinafter called DEPOSITORY, and to credit the same to such account and to initiate, if necessary, debit entries/adjustments for any credit entries in error the same to such account. I (we) acknowledge the origination of ACH Transactions to my (our) account must comply with the provisions of U.S. Law.

Depository Name

Branch

City

State

Zip

Routing Number

Account Number

Payment Type: Single Payment Multiple Payment Recurring Payment

Amount to be Debited

Frequency (Week/Month/etc.)

This authority is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it.



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Name(s)

ID Number

Date

Signature

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AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)

Company Name

Company ID Number

I (we) hereby authorize _____, hereinafter called COMPANY, to initiate debit entries, for the purpose below, to my (our) [] Checking Account / [] Savings account (select one) indicated below at the depository financial institution named below, hereinafter called DEPOSITORY, and to credit the same to such account and to initiate, if necessary, debit entries/adjustments for any credit entries in error the same to such account. I (we) acknowledge the origination of ACH Transactions to my (our) account must comply with the provisions of U.S. Law.

Depository Name

Branch

City

State

Zip

Routing Number

Account Number

Payment Type: Single Payment [] Multiple Payment [] Recurring Payment []

Amount to be Debited

Frequency (Week/Month/etc.)



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This authority is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it.

Name(s)

ID Number

Date

Signature