ACH Origination Quick Reference Guide

German American
Banking | Insurance | Investments
Member FDIC

Treasury Management Support · (800)482-1314, Ext. 2500

While we encourage you to read and become familiar with the ACH Rules book, this quick reference guide was developed to give you an overview of important information you should be aware of as an originator of ACH transactions.

To ensure compliance with current regulations, all ACH Originators must obtain a current copy of the National Automated Clearing House Association (NACHA) Operating Rules (Rules) and Guidelines that is published annually. A copy of the Rules book may be purchased at NACHA.org. NACHA Rules are subject to change.

ACH Facts
An ACH Originator is any entity or person 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 only, no longer have an expiration date, as of March 2010. Non-consumer written stop payment orders expire six months from the date of stop payment order unless 1) it is renewed in writing 2) the item is returned or 3) customer withdraws the stop.

ACH Originator Responsibilities
Obtain proper authorizations – dependent on transaction type – and retain authorizations for two years past revocation
Provide copy of authorization, if requested by the bank
Give appropriate notice to debtor, if changing amount or date
Protect the banking information received
Send entries on proper date
Make necessary changes to payee account information within six banking days upon receipt of Notification of Change
Cease subsequent entries when appropriate
Recommend checking payees against OFAC compliance checklists
Ensure your computer and you are protected by following the guidelines listed in your German American Treasury Management Agreement

ACH Legal Framework
You are required to abide by multiple rules and agreements including, but not limited to, the following when initiating ACH transactions:
- NACHA Operating Rules (www.nacha.org)
- Regulation E (for consumer entries)
- UCC4A (for corporate credits)
- German American Deposit Agreement
- German American Treasury Management Master Agreement
- Authorizations from employees, customers, vendors, etc.
- Bank and Corporate agreements

Fraud Prevention Measures
Limit user access to ACH origination system.
Use a dedicated computer for your online financial transactions, and do not allow email activity or web browsing.
Enforce segregation of duties: - The same person should not be allowed to create and release ACH batches.
Prohibit sharing user logins, passwords, or tokens.
Monitor all transaction activity on a daily basis.
Utilize fraud prevention tools such as: - Trusteer Rapport - ACH Debit Block/Filter - Appropriate ACH limits to minimize exposure
Immediately contact the bank when any suspicious transactions are found. There is a limited recovery window for these transactions.

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Allowable Standard Entry (SEC) Codes

SEC	Description
CCD	Transfer of funds to or from business accounts and to pay taxes
PPD	Prearranged authorization to transfer to or from consumer account
	Below SEC codes require approval to originate:
TEL	Debit arranged based on consumer authorization obtained over phone
WEB	Transfer of funds based on consumer authorization over the internet

Common Notification of Change Reason Codes

Code	Description	Timeframe
C01	Incorrect Account Number	2 banking days
C02	Incorrect Routing Number	2 banking days
C03	Incorrect Routing Number and Incorrect Account Number	2 banking days
C04	Incorrect Individual Name/Receiving Company Name	2 banking days
C05	Incorrect Transaction Code	2 banking days
C06	Incorrect Account Number and Incorrect Transaction Code	2 banking days
C07	Incorrect Routing Number, Account Number, and Transaction Code	2 banking days
C09	Incorrect Individual Identification Number	2 banking days
C13	Addenda Format Error	2 banking days

Common ACH Transaction Codes

Transaction Type	Standard	Prenote	Return/NOC
Checking Account Credit	22	23	21
Checking Account Debit	27	28	26
Savings Account Credit	32	33	31
Savings Account Debit	37	38	36
Loan Account Credit	52	53	51

Common Notification of Return Reason Codes

Code	Description	Timeframe
R01	Insufficient Funds	2 banking days
R02	Account Closed	2 banking days
R03	No Account/Unable to Locate Account	2 banking days
R04	Invalid Account Number Structure	2 banking days
R05	Unauthorized Debit to Consumer Account using Corporate SEC Code (CCD)	60 calendar days
R06	Returned per German American's Request	not defined
R07	Authorization Revoked by Customer	60 calendar days
R08	Payment Stopped	2 banking days
R09	Uncollected Funds	2 banking days
R10	Customer Advises Unauthorized or Incomplete	60 calendar days
R11	Check Truncation Entry Return	2 banking days
R14	Representative Payee Deceased	2 banking days
R15	Beneficiary or Account Holder Deceased	2 banking days
R16	Account Frozen	2 banking days
R20	Non-Transaction Account	2 banking days
R21	Invalid Company Identification	2 banking days
R22	Invalid Individual ID Number	2 banking days
R23	Credit Entry Refused by Receiver	2 banking days
R24	Duplicate Entry	2 banking days
R29	Corporate Customer Advises Not Authorized	2 banking days

Returns must be processed by the Receiving Bank within 24 hours of settlement.

Returns that are unauthorized beyond the 24 hours are the company's liability and any disputes may have to be settled outside the banking network. Review activity daily.

Reversal Entries

Reversals may only be made for the following three conditions:

 1) wrong dollar amount, 2) wrong account, or 3) duplicate transaction

If a reversing entry must be made, please contact the Bank for instructions.