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1 | ACH PAYMENTS

What is the ACH Network?

ACH (Automated Clearing House) refers to the nationwide, batch-oriented electronic funds transfer system. The system moves large volumes of transactions between participating financial institutions. ACH rules and regulations are established by the National Automated Clearing House Association (NACHA) and the Federal Reserve Bank's ACH operating circulars.

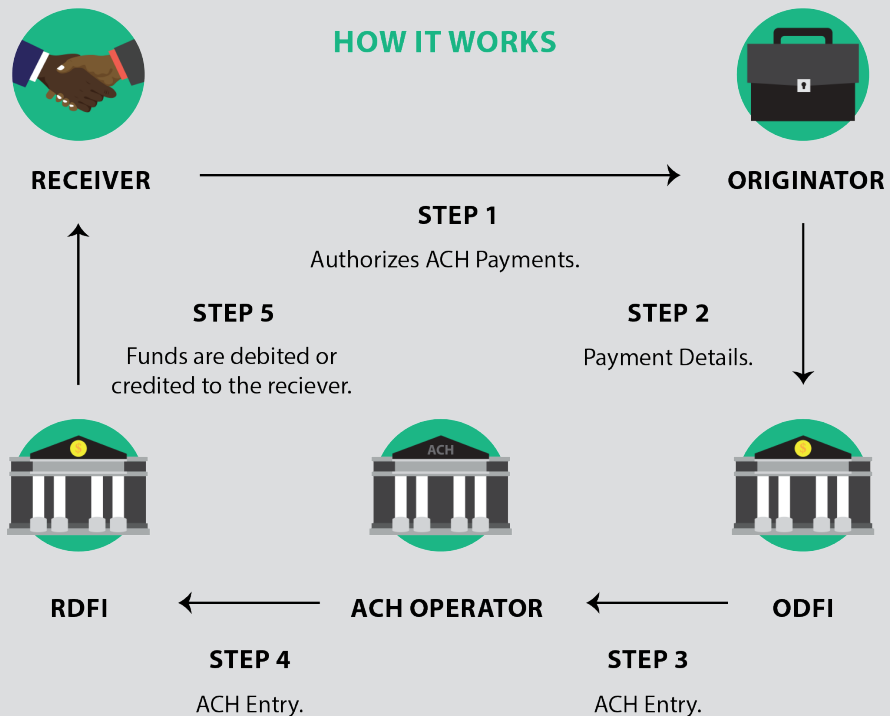
5 Key ACH Participants

1	The Receiver is a person or organization that authorized the Originator (your company) to initiate an ACH entry to their account. For example, your employee is the Receiver if your company initiates a payroll credit. A business partner is the Receiver if your company is sending a credit or debit for goods or services.
2	Your company is the Originator who initiates an ACH entry in response to an authorization from a Receiver (consumer or organization) to either credit or debit their account. For example, your company could initiate credit entries via the ACH network to pay your employees or you could initiate debit entries to a consumer or business for the payment of goods and services.
3	The Originating Depository Financial Institution (ODFI) is the financial institution that your company has a contract with for ACH services and is responsible for sending ACH entries into the ACH Network on your behalf. The ODFI forwards ACH entries to the ACH Operator for processing.
4	The ACH Operator is the central clearing facility for ACH transactions. This can be the Federal Reserve Bank or private operator who accepts ACH entries from ODFIs and then forwards them to the Receiver's financial institution.
5	The Receiving Depository Financial Institution (RDFI) is a financial institution that receives entries from its ACH Operator and posts them to the accounts of their customers (Receivers).

2 | ACH PAYMENTS

ACH Process - How It Works

- 1 | Your company must enter into a written contract with your bank (ODFI) that allows you to initiate ACH entries.
- 2 | Your company must obtain authorization from the Receiver (your employee or customer) to initiate a transaction to the Receiver's account.
- 3 | Your company creates a file of ACH transactions and VisionBank will assign you a company name that the Receiver will easily recognize.
- 4 | You will send the ACH file to your ODFI in the format required by the ODFI.
- 5 | Your ODFI collects ACH files, verifies the validity of the files, and then transmits the files to the ACH Operator. The ACH Operator verifies the file to ensure proper formatting and then distributes the files to RDFIs. The RDFI receives the files for its account holders. The RDFI posts entries to Receiver's accounts based upon the settlement date and the account number.



3 | ACH PAYMENTS Q & A

What are my requirements as an originator?

To complete payments, the organization requesting a payment (whether they want to send funds or receive funds) must obtain written authorization and bank account information from the other party involved. For example, an employer needs the following details from employees to set up direct deposit:

- The name of the bank or credit union receiving funds
- The type of account at that bank (checking or savings)
- The bank's ABA routing number
- The recipient's account number

With that information, payments can be created and routed to the correct account. Billers need those same details to make pre-authorized withdrawals from customer accounts.

Governing Rules & Agreements

You are required to abide by multiple rules, regulations, and agreements including, but not limited to, the following when submitting ACH files and transactions.

- NACHA Operating Rules (www.nacha.org)
- Regulation E (for consumer entries)
- UCC4A (for corporate credits)
- VisionBank Deposit Account Agreement
- VisionBank ACH Agreement
- Bank/Corporate Agreements
- Customer Authorizations

4 | ACH PAYMENTS Q & A

Originator Responsibilities

- Protect the banking information received.
- Send entries on the proper date according to your critical timing calendar.
- Make necessary changes to payee account information within six banking days when notified by VisionBank.
- Cease subsequent entries when appropriate.
- Originators must comply with Office of Foreign Assets Control (OFAC) sanctions.
 - ✓ Anyone listed on an OFAC sanctions list is ineligible to send or receive electronic funds (ACH or wires).
- Ensure you and your computer are protected by following the guidelines listed in the Cash Management and ACH Origination Agreement.

Recommendations for Direct Deposit

Neither ACH Rules, nor Regulation E, require an authorization for ACH credits or reversals. VisionBank recommends you use direct deposit authorization forms that allow the company to debit the employee's account for adjustments. The forms may also be used to collect the proper employee account information. As the originator, it is essential for you to verify that the routing number of an ACH participant is valid.

What are the Most Common ACH Return Codes?

There is a long list of reasons why an ACH payment can be marked as returned. Some of the most common reasons are administrative; associated with an account that can't be located or has been closed.

5 | ACH PAYMENTS Q & A

What is Out of Band Authentication & Why is it Important?

Out-of-band authentication (OOBA) verifies your identity by using verification of a user's identity through the use of a mobile device, known as phone authentication, and PIN number. OOBA provides added security because even if a fraudulent user gains access to all security credentials to your online banking account, a transaction cannot be completed without phone authentication.

CATO Attacks, Should I Rely on an Email Request to Send an ACH?

Corporate Account Take Overs (CATO) occur when cyber thieves gain control of systems by stealing sensitive employee credentials and information. If you receive an email request to send an ACH payment it is best practice to follow-up with the sender for additional security and verification.

Best Practice Recommendations for Businesses:

- Review risky behavior with employees, especially when opening unsolicited emails.
- Educate employees on what suspicious websites and malicious computer optimization software looks like.
- Minimize the number of machines used for various business functions. Consider conducting online banking on dedicated machines segregated from other business functions.
- Always lock computers when unattended. Especially those with administrator access.
- When conducting ACH or Wire transfer activities, use dual controls through two separate computers.

6 | ACH PAYMENTS Q & A

Exposure Limits

When your company enters into an agreement with your bank (ODFI), your bank will establish exposure limits. An exposure limit is the maximum dollar threshold for debits/credits your bank (ODFI) will accept from your company – either for a single day or a multi-day period. Files submitted by your company that exceed this limit may be rejected unless an exception is approved by the ODFI. For a typical payroll file, your bank (ODFI) will forward your ACH payroll file to the ACH Operator one day prior to the settlement date. The ODFI will debit the account from which the ACH credit file will settle on the settlement date. If the Originator does not have sufficient funds on deposit to fund the ACH file on the settlement date, an overdraft will occur. Therefore, the ODFI will establish an exposure limit as a method of managing the ODFI's risk.

On the debit side, the ODFI's exposure begins on the date funds are made available to the Originator and ends on the date on which debits can no longer be returned by the RDFI. Most entries must be returned within two banking days but the RDFI has up to 60 calendar days to return unauthorized transactions. The amount of risk is based on the amount of returned ACH debit entries and the Originator's ability to cover them.

Ultimately, exposure limits are the maximum total established by the ODFI beyond which the ODFI is unwilling to process additional ACH files. NACHA rules require ODFIs to set and monitor these limits. Your bank (ODFI) will determine your exposure limit based on several factors including transaction history, financial strength, and dollar amounts in previous files processed.

Some ODFIs will require you (the Originator) to pre-fund the amount of an ACH credit file. This means the ODFI will debit or place a hold on your (the Originator) account on the date on which the file is sent to the ACH Operator to ensure funds are available to cover the file on the settlement date.

7 | ACH PAYMENTS Q & A

What is an ACH Return?

An ACH return is an entry that the RDFI is unable to post for a reason defined by NACHA (see common return reason codes below). The RDFI must initiate the return in time for your ODFI to receive it by opening of business on the second banking day following the settlement date of the original entry. This is often referred to as the “24-hour return deadline.” The RDFI may return some entries beyond this deadline; however, your ODFI must inform you of all returns promptly. The return will include a code that describes the reason for the return.

RETURN REASON CODE	DESCRIPTION	ORIGINATOR ACTION
R01	Insufficient Funds	Originator may initiate a new ACH entry within 180 days of original settlement date (max of two additional attempts)
R02	Account Closed	Originator must stop initiation of entries. Must obtain a new authorization from Receiver for a different account.
R03	No Account/Unable to Locate	Originator must stop initiation of entries and contact Receiver for correct account information.
R04	Invalid Account Number Structure	Originator must stop initiation of entries and contact Receiver for correct account information.
R05	Unauthorized Debit to Consumer Account Using Corporate SEC Code	Originator must stop initiation of entries.
R06	Returned per ODFI's Request	ODFI has requested RDFI to return an entry (optional to RDFI). Originator should contact the ODFI should they need to request an RDFI to return an entry.

8 | ACH PAYMENTS Q & A

RETURN REASON CODE	DESCRIPTION	ORIGINATOR ACTION
R07	Authorization Revoked by Customer	Originator must stop initiation of entries. Must obtain a new authorization to initiate entries.
R08	Payment Stopped	Originator must contact Receiver to identify reason for stop payment. Stop payment can be for one or more debit entries. May need new authorization to initiate entries.
R09	Uncollected Funds	Originator may initiate a new ACH entry within 180 days of original settlement date (max of two additional attempts)
R10	Customer Advises Unauthorized, Improper, Ineligible, or Part of an Incomplete Transaction	Originator must stop initiation of entries. Must obtain a new authorization to initiate entries.
R16	Account Frozen/Entry Returned Per OFAC Instruction	Originator must stop initiation of entries.
R20	Non Transaction Account	Originator must stop initiation of entries.
R23	Credit Entry Refused by Receiver	Originator must obtain a new authorization to initiate entries.
R24	Duplicate Entry	Originator should accept return.
R29	Corporate Customer Advises Not Authorized	Originator must stop initiation of entries. Must obtain a new authorization to initiate entries.

9 | ACH PAYMENTS Q & A

What are the Standard Entry Class (Sec) Codes?

SEC codes are payment types used by Originators to identify ACH debits or credits. Commonly used SEC codes are as follows:

SEC CODE	DESCRIPTION	APPLICATION USE	AUTHORIZATION REQUIREMENTS
PPD	Prearranged Payment or Deposit	This code is used for a credit or debit entry originated by an organization to a consumer's account. It can be a single or recurring entry. PPD transactions are widely used for direct deposit of payroll and direct payments. Direct payments provides the ability to collect funds from a consumer's account. PPD can also be used for a return entry fee. If a company collects a fee for a debit entry (ACH or check) that is returned NSF or uncollected funds, the company can use PPD as long as proper notice is provided.	For PPD debits, the authorization must be in writing, be readily identifiable as an ACH authorization, have clear and readily understandable terms, provide that the Receiver may revoke the authorization by notifying the Originator in the manner specified in the authorization, and be either signed or similarly authenticated by the consumer. Iowa Law requires written authorization for PPD payroll deposits. For other credit entries, the authorization may be in writing or it may be obtained orally or by other non-written means.
CCD	Corporate Credit or Debit	Provides a way for companies to receive or send ACH payments from or to other companies. Companies that need to transmit remittance data with the CCD entry (such as invoice or purchase order number) may add an addenda record to carry the payment related information.	The Rules do not require the CCD/CTX authorization to be a specific form. The Rules require the Originator and Receiver to have an agreement that binds the Receiver to the Rules. This agreement should contain the authorization requirements and procedures as determined by the parties.

10 | ACH PAYMENTS Q & A

What Is A Notification Of Change (Noc), What Are My Responsibilities?

An NOC is a non-monetary entry transmitted by an RDFI to identify incorrect information contained within an entry and also provides correct information to be used on future entries. NOC's provide a means for an RDFI to post an entry to the Receiver's account but also notifies your company of changes that must be made. When an RDFI transmits an NOC, they warrant the information contained within the NOC is correct. Upon receipt of an NOC, the ODFI must notify you of the information that must be changed within 2 banking days. You must make the requested change(s) within 6 banking days or prior to initiation of another ACH entry, whichever is later. Some common NOC codes are below:

CHANGE CODE	DESCRIPTION
C01	Incorrect Account Number or is formatted incorrectly
C02	Incorrect Routing Number due to merger or consolidation
C05	Incorrect Transaction Code - The account number contained in the entry is a checking account but the transaction code is for a savings account or vice versa.
C06	Incorrect Account Number and Transaction Code

11 | ACH GLOSSARY

Corporate Account Takeover (CATO)

CATO is a type of business identity theft in which a criminal gains access to a business' finances to make unauthorized transactions, including transferring funds, creating and adding new fake employees to a payroll file and stealing customer information. Cyber thieves target employees through phishing (fraudulent attempt to obtain confidential information such as usernames and passwords for malicious reasons), phone calls, e-mails, and sometimes through social networks.

NACHA released an ACH Bulletin on December 2, 2009, that summarizes CATO and what businesses can do to prevent it. <https://www.nacha.org/news/corporate-account-takeovers-can-lead-fraudulent-transactions>.

As noted within the Bulletin, the top things a business can do is to implement procedures such as dual control to initiate ACH payments, ensure anti-virus security software for all computers and laptops are up-to-date, restrict functions for computers and laptops (such as general WEB browsing, social networking, etc.), monitor and reconcile accounts daily and utilize alerts to detect unusual activity.

Information Security

NACHA Rules establish data security requirements for all ACH transactions transmitted or exchanged via an Unsecured Electronic Network (UEN). An example of a UEN is the Internet. Banking information, which includes routing numbers, account numbers, etc. must be (1) encrypted, or (2) transmitted via a secure session using commercially reasonable security technology. The concept of "commercially reasonable" means that a party, given the facts of a specific transaction, acted in a way that a reasonable person in similar circumstances would have acted. Ultimately, the Originator must implement procedures to protect the security and integrity of ACH data throughout its life-cycle.

The Originator must establish, implement, and update security policies, procedures, and systems related to the initiation, processing and storage of protected information (non-public personal information, including financial information, of a natural person used to create, or contained within an entry and any related addenda record).

Record Retention

The Originator must retain the original of each written authorization of the Receiver, or a readily and accurately reproducible record evidencing any other form of authorization, for two years from the termination or revocation of the authorization. The Originator must be able to provide the ODFI with an accurate copy or other accurate record to the RDFI within ten banking days without charge.

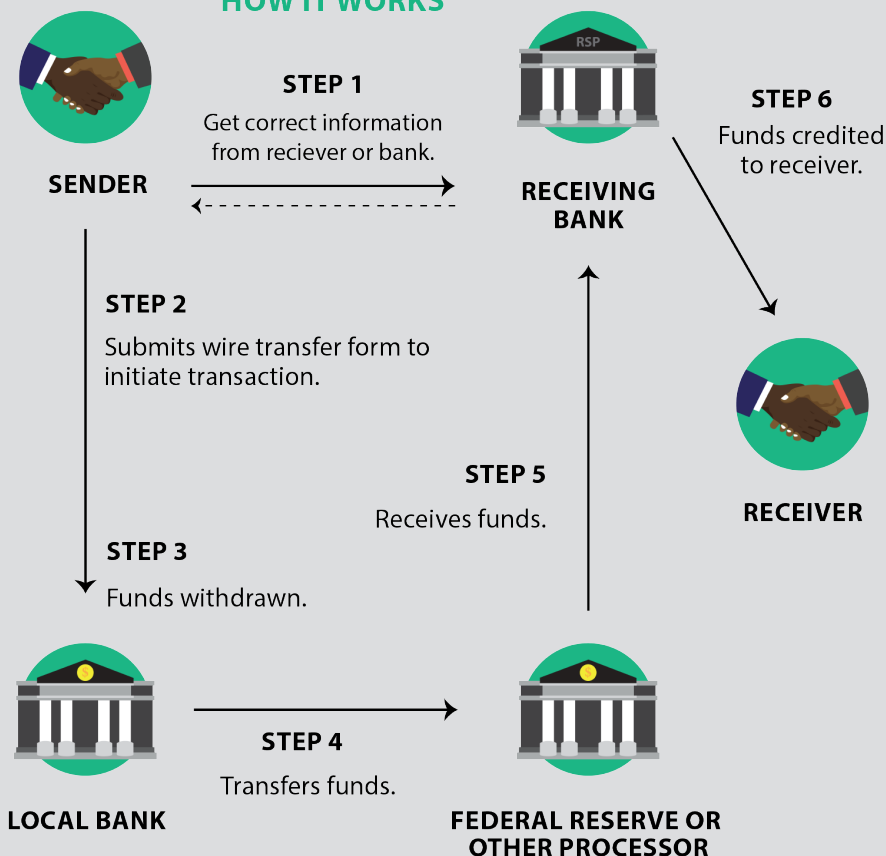
12 | WIRE TRANSFERS Q & A

What Are Wire Transfers?

When you need to send or receive money fast, a wire transfer might be the right tool for the job. Wire transfers are quick, reliable, and safe (as long as you're not sending money to a thief).

A wire transfer is an electronic transfer of funds from one financial institution to another. To receive a wire transfer into your checking account, you will need to provide the sender of the wire transfer the appropriate routing number and your checking account number.

HOW IT WORKS



13 | WIRE TRANSFERS Q & A

Best Practices on Using Wire Transfers

- It is important to remember that once a wire is gone, it is gone.
- Know who you are wiring funds to.
- Ensure the correct beneficiary information is listed.

What to do if a Wire I Sent is Fraudulent

CASH MANAGEMENT CUSTOMERS

- Contact the VisionBank Cash Management Help Group immediately.

PERSONAL CUSTOMERS

- Contact your VisionBank Retail Banker immediately.
- VisionBank staff will work with you throughout the process, but we cannot guarantee recovery once the funds have been sent.

Wire Transfers

Transfer Speed	Move funds from one bank to another within one business day.
Certainty & Safety	The phone verification process is VisionBank’s extra layer of protection against fraud and identity theft. You will be asked to verify the transaction by phone before the transfer can be completed.
Cost	Fees and limits may apply, depending on your account type and the type of wire. You will be able to review any fees and limits before completing your wire transfer.

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