

Welcome!

Affiliated Bank is happy to be your partner in the electronic payments network. Whether you are paying your employees or vendors, collecting payments or managing your funds, there is a vast amount of information you should be aware of. A lot of that information is covered below and if you have any questions along the way, please contact one of our customer service staff at **817-460-8052**.

How Does ACH Work?

The **Automated Clearing House (ACH) network** is an electronic payments network that allows funds to be electronically debited or credited to/from bank accounts. There are five key participants to an ACH transaction:

 Receiver (Your Employee, Vendor or Customer)	 Originator (You)	 Originator's Bank (Affiliated Bank)	 ACH Operator (Federal Reserve Bank)	 Receiver's Bank (Your Employee, Vendor or Customer's Bank)
The Receiver (your employee, vendor or customer) authorizes the Originator (you) to debit or credit their bank account.	After obtaining authorization from your employees, vendors or customers (the Receivers), the Originator (you) initiates ACH transactions via internet banking.	The Originating Bank (Affiliated Bank) collects ACH files from Originators and, at specified times, transmits the files to the ACH Operator (Federal Reserve Bank).	The ACH Operator (Federal Reserve Bank) receives ACH files from originating banks and distributes ACH entries to the appropriate Receiving Banks.	The receiving bank accepts ACH entries from the ACH Operator (Federal Reserve Bank) and post the entries to the Receivers account.

ACH Rules

NACHA (the National ACH Association) is a not-for-profit association that develops the rules that all participants in the ACH network must follow. While most of the rules apply to the bank participants, there are some that directly affect you as an Originator. Some of those are:

- You must agree to abide by the rules (let us know if you would like a complete set of the ACH Rules)
- You must establish, implement and, as appropriate, update security policies, procedures and systems related to the initiation, processing and storage of ACH entries and resulting Protected Information (see Protect Yourself section for related information)
- You must obtain appropriate authorization from your employee, vendor or customer (see Required Authorization section for more information). These must be retained for 2 years after the termination of the relationship with the Receiver.

Please refer to ACH Origination Agreement for additional information.

Standard Entry Classes (SEC)

<u>SEC Code</u>	<u>SEC Code Description</u>	<u>Application Use</u>
CCD	Corporate Credit or Debit	Transfer funds among corporate entities in payment of goods or services OR manage corporate funds
PPD	Prearranged Payment or Deposit	Direct Deposit provides the ability to disburse funds to consumer accts Direct Payment provides the ability to collect funds from consumer accts

Required Authorization

<u>SEC Code</u>	<u>Entry Type</u>	<u>Authorization Requirement</u>
CCD	Credit or Debit	Agreement required for transfer between companies; written authorization implied
PPD	Credit	Authorization required; oral or non-written means are accepted
PPD	Debit	Written and signed authorization required

A sample written authorization form is included with this information.

Transaction Codes

<u>Checking Account Credits</u>	<u>Checking Account Debits</u>	<u>Savings Account Credits</u>	<u>Savings Account Debits</u>
22 Credit/Deposit	27 Debit/Payment	32 Credit/Deposit	37 Debit/Payment
23 Prenote for Credit	28 Prenote for Debit	33 Prenote for Credit	38 Prenote for Debit

Prenotification

What is a prenotification? Prenotifications (prenotes) are non-monetary entries used by Originators (you) to verify that the account number on an entry is for a valid account at the Receiving Bank.

How does that work? The Originator (you) creates a zero-dollar transaction with all of the receiver bank and receiver's account information as it will be in the "live" transaction. The receiving bank verifies their customer's information and if there are any inaccuracies, notifies the Originator's Bank (Affiliated Bank), who, in turn, will notify the Originator (you).

Do I need to send prenotifications? The use of prenotes is optional. If you chose to utilize prenotes, you are required to do so at least three banking days before sending the first live dollar entry.

Notification of Change (NOC)

What is a Notification of Change (NOC)? The Notification of Change is a non-monetary entry transmitted by a Receiving Bank to notify the Originator (you) of incorrect information within an ACH transaction.

How does that work? Sometimes the Receiving Bank receives an ACH entry that contains incorrect information (i.e., account number, account name, etc.) but it is able to identify the intended account holder and therefore post the transaction. In these instances, the Receiving Bank sends an NOC message to the Originating Bank (Affiliated Bank) to be conveyed to the Originator (you) requesting the correction of information for future transactions.

What do I do if I am notified of an NOC? You will simply need to input the correct information into your ACH file within six business days of when we notify you or prior to submitting initiating another ACH transaction for that Receiver, whichever is later. The notification you receive from us will contain information from the original transaction you sent to help you identify the transaction that needs to be corrected. We will also forward you the information from the Receiving Bank that indicates what information was incorrect and, in most cases, what the correct information should be.

Protect Yourself

Affiliated Bank has many safeguards in place to protect your funds and information. **However there is a current trend with fraudsters to gain access to corporate customer's internet banking logon information and account information by obtaining access to corporate computers, networks and email accounts.** Affiliated Bank issues token security devices to each of your users who have access to perform financial transactions (ACH origination, remote deposits, wire transfers, etc.) through our internet banking product. **There are things you can and should do** as well. Here is a list of some of the things you should consider:

- Maintain hardware and/or software firewall
- Store ACH related data, electronic or paper, in a secure manner, for example a locked safe or file cabinet
- Maintain up-to-date anti-virus protection
- Protect your wireless network
- Prohibit ACH users from sharing user IDs and passwords/tokens
- Contact the bank if you sustain a security breach or if an employee's user ID and password is disabled
- Contact the bank when an authorized ACH user leaves your company or changes job duties
- Require dual control over the origination of ACH transactions

For further information about the risks involving the use of online banking services and preventative measures that may help your company avoid becoming a crime victim, please **visit the Security Information Center available on our website.** There are three **online banking security videos** that can be accessed from the **Quick Links** in the footer section of any page of our website.

Holiday Schedule (Non-Processing Days)

New Year's Day	January 1	Labor Day	First Monday in September
Martin Luther King, Jr. Day	Third Monday in January	Columbus Day	Second Monday in October
Presidents' Day	Third Monday in February	Veterans' Day	November 11
Memorial Day	Last Monday in May	Thanksgiving Day	Fourth Thursday in November
Independence Day	July 4	Christmas Day	December 25

For holidays falling on Saturday, the preceding Friday IS a processing day.
For holidays falling on Sunday, the following Monday is **NOT** a processing day.

