

FIRST FINANCIAL BANK

2020 ACH ORIGINATOR UPDATE

Every year the National Automated Clearinghouse Association (NACHA) publishes new rules that expand upon ACH services or requirements related to ACH entries. The NACHA Rules and Updates as well as processing deadlines and retention periods are available on NACHA's website at www.nacha.org. Links are available for the specific information you need.

Federal holiday schedules are also published and available on the following web site:

<https://www.frbservices.org/about/holiday-schedules/>. Here you will find the holiday schedule for the Federal Reserve Bank through 2023. Keep in mind, a payment cannot have an effective date on a Federal holiday because the Federal Reserve is not open for processing. Therefore, it is important you take note of the holiday schedule to make sure the payments you send arrive on time.

HERE ARE A FEW OF THE NEW RULES THAT MAY AFFECT YOU:

Same Day ACH: Faster Funds Availability - What this means to you. ACH Payments can be initiated and received on the Same Day. Additional fees, restricted dollar amounts, and specific deadlines are applicable for each Same Day entry; however, when you need to move money on the same day, it's an excellent option. Contact Treasury Management Client Support at 877-627-7201 for assistance with this feature.

NACHA repurposes Return Code R11 – How this could affect you. NACHA is repurposing Return Code R11 to help originators better understand the reason for the return. A return code of R11 means "Customer Advises Entry Not in Accordance with the Terms of the Authorization." For example, the receiver can request their bank to return the debit entry if the amount or timing of the debit was not what was authorized. Once the correction is made, you can submit a new entry without obtaining a new authorization. The R11 Return Code goes into effect on April 1, 2020.

Third-Party Sender Annual Audit Requirement – Will this affect you? Third-Party Senders are businesses transmitting ACH entries on behalf of another business without a banking relationship or contract with First Financial Bank. A good example of this relationship is an accounting firm managing payroll services for their clients. Last year NACHA Rules required that all Third-Party Senders must be registered with NACHA as a third-party sender.

Each year by December 31, third-party senders must retain proof that an audit of compliance with the Rules has been completed (See NACHA 2019 Operating Rules OG273 and OR210.8.3 for details). NACHA may request proof of the audit at which time, third-party senders have 10 banking days to provide such proof.

This is not a new rule, but if you are a third-party sender this is a reminder of your obligation under the Rules.

Supplemental Fraud Detection Standards for WEB Debits – How this could affect you. Transactions originated through a website are classified as WEB entries. All Originators of WEB debit entries must use a commercially reasonable fraudulent transaction detection system to help prevent fraudulent payments from being introduced into the ACH network. Effective March 19, 2021, NACHA Rules will require account validation to be a part of the detection system. The first use of an account number, or when changes to an account number occur, originators must validate the account. Possible options to validate and account number are through an ACH prenotification, or ACH micro-transaction verification, or contract with a validation service.

Should you have questions about ACH or any of our Treasury Management Products, please contact us at 1-877-627-7201 or via email at TMClientSupport@ffin.com. Thank you for banking with First Financial Bank! The Treasury Management Services