

Commonwealth Bank & Trust Company is providing this information to you, our ACH Origination customers, as a part of our responsibilities as an Originating Depository Financial Institution.

Commonwealth Bank & Trust is committed to offering ACH processing services that are secure and that are compliant with the *ACH Operating Rules and Guidelines*, as they are established. As such, the information in this document will help you do your part as the Originator to be not only compliant with the *Rules*, but to be more aware of risks that can cause data breaches and loss of private information.

There are four categories covered in this update:

- Originator Responsibilities
- Returns, Notifications of Change, and Reversals
- Security
- Same-Day ACH

Each section will have valuable information for you to use on a daily basis. The last item, Same-Day ACH, is available to you on a case-by-case basis. We urge you to pay particular attention to this section as it has the potential for significant impact on how you process your payroll or payment files.

If you have any questions regarding this update or any of the information contained within, please contact any of the persons below or your local CB&T branch.

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Originator Responsibilities

Being an ACH Originator carries with it several responsibilities. Many of these are outlined in the ACH Rules whereas others are passed down to you from CB&T's role as the Originating Depository Financial Institution via our mutual agreement. You can view the ACH Rules online by going to the National Automated Clearing House (NACHA) website <https://achrulesonline.org> and registering at the bottom of the page:

FOR NEW ACH RULES ONLINE USERS

Click on the appropriate link in the New Account box above. Follow the directions to create a new account.

New users without the 12-digit serial number can [create an account](#) for limited online access to the basic 2017 NACHA Operating Rules in read-only format.

Here are some points we would like to emphasize:

- You (the Originator) are required to obtain authorization before originating items, whether they are to an employee, a customer, or another business. This person/customer/entity is called the Receiver.
- Employees/Customers/Entities must sign or similarly authenticate an authorization form before you can begin sending them money or taking money from them.
- You must keep the authorization form for two years after the last time you originate an item to that Receiver.
- Authorization forms must be kept secure and preferably, locked up so that they cannot be stolen and account information used for fraudulent purposes.
- Upon request by CB&T, you must be able to quickly provide a copy of the authorization form.

Security

Cybercrime continues to be very rampant in today's digital and connected environments. Gone are the days where you had to worry about someone literally hacking into your computer or server. That's too hard! The current "easy" method the bad guys use to gain access is to get you to allow them in. A common practice is providing a link that you click that either loads malware from a file (such as an email attachment) or a fictitious website. Once you download the malware, traffic is allowed through your firewall defenses to the perpetrator's computer, where he or she monitors your actions, looks at your network, and tries to find vulnerabilities to exploit.

While this is not an exhaustive list and by no means should you ONLY do these actions, these can significantly reduce your risk:

- Ensure that the computer you use to access your bank account and the ACH software is secured with anti-virus software and anti-malware software. Regularly check your computer to ensure hardware and software is up-to-date, including those acquired by 3rd party vendors.
- Avoid using the device you use for ACH and banking for personal use, such as email and internet usage. Doing so will significantly reduce the likelihood of a compromise from viruses, malware, or ransomware attacks.
- Use strong authentication to log in to your device. Consider using passphrases instead of passwords. Passphrases are longer and easier to remember than a random string of letters, numbers, and symbols and are also harder to guess or crack.
- Make sure that you lock the device whenever you step away. Schedule your device to lock after 10 minutes of inactivity, in case you forget to secure it. On your keyboard, press the Windows button simultaneously with the L key (Windows+L) as a more straightforward way to lock than the old CTRL+ALT+DEL lock method.
- Avoid opening ANY attachment that you do not consider 100% safe or is from an unknown sender. To ensure the email and attachment are legitimate, contact the sender at a known number. Do not respond to the email.

Emails that attempt to get you to either reveal private information, download/open a document, or click a link to another website is called a **phishing** email. Phishing emails, text messages, and even voicemail messages often tell a story to trick you into clicking on a link or opening an attachment. A couple of examples are communications that have a sense of urgency, that claim there is a problem with your account or payment information, ask for personal information, attach a fake invoice, or offer you money. Also, if you receive an email with a link to your bank or another private login, never use the link provided in the email. Instead, go to the site and log in as you usually would to investigate the validity.

Returns, Notifications of Change, and Reversals

On occasion, one of the items that you have originated may come back for some reason. If the entry comes back with an amount, it is a return. If the entry comes back without an amount, it is a notification of change, or NOC.

Returns indicate there is a critical problem with posting the entry at the Receiver's institution.

- If the item you originated is a credit, perhaps the account number is incorrect and the receiving institution cannot identify the correct account for the Receiver. Thus they return the item.
- If the item you originated is a debit, the Receiver's account could be NSF or closed, there could be a stop payment order for the item, or even an incorrect account number as described above.

What do you do with returns?

- If CB&T provides you with a return, those funds have been credited back to you (in the case of a payroll item sent) or debited from you (for payments sent to debit the Receiver). Make sure you account for these dollars.
- Returns for incorrect account numbers can be re-initiated.
- Returns for NSF or uncollected funds can also be re-initiated, but must have "RETRY PMT" in the Company Entry Description field.

Notifications of Change (NOCs) are sent by the Receiver's financial institution when there is a "fixable" problem, such as a wrong account type or an account number missing a digit. For these items, the Receiver institution was able to manually post the item to the Receiver's account but is sending notice back to you to make a change so that it will post automatically the next time.

What do you do with NOCs?

- Since there is not dollar amount included in the entry, there is no accounting to be performed.
- Change the information indicated in the NOC that is provided to you by CB&T. This is required to be done before the next time that you originate an item to this Receiver.

A Reversal File is only used in rare cases where you have sent out a file that contains errors or perhaps was entirely the wrong file. You are not allowed to send out a file for the net difference to correct errors. You must send a file to reverse the error and then send a correct file. This must be done within 24 hours of discovery of the error and it must happen by the 5th banking

day after the first file posted. If you send a reversal file, it must say "REVERSAL" in the Company Entry Description.

Same-Day ACH

Traditionally, the next business day is the earliest that you can either debit or credit a Receiver's account. You send the file today for it to post tomorrow. However, Same-Day ACH (SDA) items are now allowed to be originated, either for a credit or a debit.

Same-Day ACH is a premium service* and is not included with your regular monthly charges for ACH services

Some uses for Same-Day ACH:

- Missed or emergency payroll
- Quick payment of commissions or bonuses
- Payment of invoices to a business
- Any reason you want to get a credit to a person/business TODAY
- Immediate collection of payments due
- Cash management transfers between business accounts at different financial institutions

In order to process a file as an SDA file, the Effective Entry Date must be today's date and we must receive it by 12:30pm. We also must be notified prior to your attempt to create or upload the file, as our system is set to NOT allow files with the current Effective Entry Date. This is to avoid accidental SDA files where you did not mean for them to send and settle today. And because Same-Day ACH is a premium service, this will help you avoid accidental charges.

As with any originated item, you must have an authorization from the Receiver of the credit/debit item and the date of the transaction must be included. Remember that you cannot debit a Receiver's account prior to the date on the authorization. Keep this in mind for situations where you are wanting to do a Same-Day ACH debit to your customer/business.

**Contact our Treasury Management Department for Same-Day ACH file processing charges.*