

SECTION 1.6 Transmission of ACH Information Via Unsecured Electronic Networks

Any banking information, including, but not limited to, an Entry, Entry Data, a routing number, an account number, and a PIN or other identification symbol, that is transmitted or exchanged between a Receiver and an Originator, an Originator and an ODFI, an ODFI and an ACH Operator, an ACH Operator and an RDFI, or an Originator, ODFI, RDFI, or ACH Operator and a Third-Party Service Provider, via an Unsecured Electronic Network, must, prior to the key-entry and through transmission of any banking information, (1) be encrypted using a commercially reasonable security technology that, at a minimum, is equivalent to 128-bit RC4 encryption technology, or (2) be transmitted via a secure session utilizing a commercially reasonable security technology that provides a level of security that, at a minimum, is equivalent to 128-bit RC4 encryption technology.

Transmissions or exchanges of banking information over an Unsecured Electronic Network by means of voice or keypad inputs from a wireline or wireless telephone to a live operator or voice response unit are not subject to this section 1.6 unless the telephone is used to access the Internet.

SECTION 1.7 Records

SUBSECTION 1.7.1 Records of Entries

Each Participating DFI must retain records of all entries, including return and adjustment entries, transmitted from or to an ACH Operator. These records must be retained for six years from the date the entry was transmitted. The Participating DFI must, if requested by its customer, or any other Participating DFI or ACH Operator which originated, transmitted, or received the entry, provide the requester with a printout or reproduction of the information relating to the entry. A Participating DFI may impose a reasonable charge for the provision of such information.

SUBSECTION 1.7.2 Electronic Record Retention

Any agreement, authorization, Written Statement of Unauthorized Debit, or other record required by these rules may be retained as an electronic record that (1) accurately reflects the information in the record, and (2) is capable of being accurately reproduced for later reference, whether by transmission, printing, or otherwise.

SUBSECTION 1.7.3 Electronic Records and Signatures

Any agreement, authorization, Written Statement of Unauthorized Debit, or other record required by these

rules to be in writing may instead be in electronic form. Any record that is required to be signed or similarly authenticated may be signed with an electronic signature in conformity with the terms of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. §7001, et seq.) and in a manner that evidences the identity of the person who signed and that person's assent to the terms of the record. Any record that is signed or similarly authenticated according to the terms of an applicable state version of the Uniform Electronic Transaction Act is deemed to be signed in conformity with the terms of the Electronic Signatures in Global and National Commerce Act.

SECTION 1.8 Choice of Law

These rules and the rights and obligations of a party with regard to a credit entry subject to Article 4A shall be construed in accordance with and governed by the laws of the State of New York, unless otherwise provided in an agreement of such party.

SECTION 1.9 Beneficiaries of the Rules

Each Participating DFI, each ACH Operator, each Association, and the National Association (including its Board, committees, and panels) are intended third-party beneficiaries of the representations, warranties, and covenants of each other Participating DFI and ACH Operator under these rules. Nothing in these rules is intended to, and nothing in these rules shall be implied to, give any legal or equitable right, remedy, or claim to any other entity, including to any Originator, Receiver, Third-Party Service Provider, or Third-Party Sender.

ARTICLE TWO — ORIGINATION OF ENTRIES

SECTION 2.1 Prerequisites to Origination

The following must occur before an Originator may initiate the first credit or debit entry to a Receiver or to a Receiver's account with an RDFI:

SUBSECTION 2.1.1 Originator Authorization and Agreement

The Originator or a Third-Party Sender has authorized the ODFI to transmit, and to credit or debit the amount of, one or more entries to the Receiver's account. For all entries except CIE, either (1) the Originator and ODFI have entered into an agreement under which the Originator agrees to be bound by these rules as in effect from time to time and acknowledges that entries may not be initiated that violate the laws of the United

In addition to the other warranties contained within these rules, each ODFI transmitting an IAT entry warrants to each RDFI, ACH Operator, and Association that:

SUBSECTION 2.11.3.1 Compliance with U.S. Law

With respect to each IAT entry, the Originator and ODFI are in compliance with U.S. law, including, but not limited to, their obligations under programs administered by the Office of Foreign Assets Control (OFAC) and the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN).

SUBSECTION 2.11.3.2 Compliance with Foreign Payment System Rules

The origination of an IAT entry must be in compliance with the laws and payment system rules of the receiving country.

SUBSECTION 2.11.3.3 Liability for Breach of Warranty

Each ODFI breaching any of the warranties contained within subsection 2.11.2 (ODFI Warranties for Outbound IAT Entries) shall indemnify every RDFI, ACH Operator, Association, and any Gateway Operator from and against any and all resulting claim, demand, loss, liability, or expense, including attorneys' fees and costs, resulting directly or indirectly from the breach of these warranties.

SUBSECTION 2.11.4 Exceptions for Outbound IAT Entries

The following rules do not apply to Outbound IAT entries:

- 2.1.2 Receiver Authorization and Agreement
- 2.2.1.4 Revocation of Authorization
- 2.2.1.5 Termination of Authorization by Operation of Law
 - 2.2.1.10 Reclamation Entries
- 2.3 Prenotifications
- 2.4 Reversing Files
- 2.5 Reversing Entries
- 2.6 Reclamation Entries
- 2.15 Reinitiation of Returned Entries by Originators
- 3.3 Consumer Accounts - Notice by Originator to Receiver of Variable Debits
- 3.4 Consumer Accounts - Copy of Debit Authorization
- 3.12 Record of Authorization
- 4.1 General Rights and Obligations of RDFI
- 4.3 Receipt and Availability of Entries
- 4.4 Availability of Entries and Entry Information; Crediting and Debiting of Entries
- 4.5 Periodic Statements

- 4.6 Notice to Receiver
- 4.8 Liability of RDFI for Benefit Payments
- 6.1 Return of Entries
- 6.2 Dishonor of Return Entries
- 6.3 Notification of Change
- 7.4 Accountability for Entries
- 8.4 Stop Payment Affecting Consumer Accounts
- 8.5 Stop Payment Affecting Non-Consumer Accounts
- 8.6 Receiver's Right to Recredit
- 8.7 Adjustment Entries
- Appendix Four Minimum Description Standards

SECTION 2.12 ~~Internet-Initiated Entries~~ Internet and Mobile Entries

SUBSECTION 2.12.1 General Rule

~~A WEB entry may be transmitted by an Originator pursuant to an authorization that is obtained from the Receiver via the Internet to effect a transfer of funds from a Consumer Account of the Receiver. Each Originator, Third-Party Sender, and ODFI must utilize the WEB SEC Code to identify each debit Entry to a Consumer Account that is initiated by an Originator (i) pursuant to an authorization, other than an oral communication, that is obtained from the Receiver via the Internet or a Wireless Network, or (ii) pursuant to any form of original authorization if the individual debit Entry is initiated via a Wireless Network, other than through an oral communication.~~

SUBSECTION 2.12.2 ODFI Warranties

In addition to the other warranties contained within these rules, each ODFI initiating a WEB entry pursuant to this section 2.12 warrants to each RDFI, ACH Operator, and Association that:

SUBSECTION 2.12.2.1 Fraud Detection Systems

Each Originator for which the ODFI transmits WEB entries has employed a commercially reasonable fraudulent transaction detection system to screen each entry.

SUBSECTION 2.12.2.2 Verification of Receiver's Identity

For each WEB entry, the Originator has employed commercially reasonable methods of authentication to verify the identity of the Receiver.

SUBSECTION 2.12.2.3 ODFI Exposure Limits

In the case of a WEB entry sent or transmitted to an ODFI directly by an Originator that is not a natural person or by a Third-Party Sender, the ODFI has (1) established procedures to monitor, on an on-going basis, the creditworthiness of the Originator or Third-Party Sender, (2)

etc.); (7) checks drawn on the Treasury of the United States, a Federal Reserve Bank, or a Federal Home Loan Bank; (8) checks drawn on a state or local government that are not payable through or at a Participating DFI; or (9) checks or sharedrafts payable in a medium other than United States currency.

SUBSECTION 3.8.3 Capture of MICR Information

The Originator must use a reading device to capture the Receiver's routing number, account number, and check serial number from the Receiver's source document. Such information may not be key entered by the Originator.

SUBSECTION 3.8.4 Receipts

An Originator must provide to each Receiver a receipt containing the following information with respect to each POP entry to the Receiver's account:

- (a) Originator name (merchant)
- (b) company (merchant)/third-party service provider telephone number;
- (c) date of transaction;
- (d) transaction amount;
- (e) source document check serial number;
- (f) merchant number (or other unique number that identifies the location of the transaction);
- (g) Terminal City; and
- (h) Terminal State.

The National Association strongly recommends, but these rules do not require, that the Originator also provide the following information on the receipt provided to the Receiver:

- (a) merchant address;
- (b) merchant identification number;
- (c) Receiver's financial institution routing number;
- (d) Receiver's truncated account number;
- (e) Receiver's truncated identification number; and
- (f) transaction reference number.

The Receiver's complete account number and complete identification number are not permitted to be placed on the receipt.

SECTION 3.9 ~~Obligations of Originators of Internet-Initiated Entries~~ Obligations of Originators of Internet and Mobile Entries

SUBSECTION 3.9.1 Fraud Detection Systems

Each Originator originating WEB entries must employ a commercially reasonable fraudulent transaction detection system to screen each entry.

SUBSECTION 3.9.2 Verification of Routing Numbers

Each Originator that originates WEB entries must use commercially reasonable procedures to verify that routing numbers are valid.

SUBSECTION 3.9.3 Verification of Receiver's Identity

Each Originator that originates WEB entries must employ commercially reasonable methods of authentication to verify the identity of the Receiver.

SUBSECTION 3.9.4 WEB Annual Audit

Each Originator that originates WEB entries shall conduct or have conducted annual audits to ensure that the financial information it obtains from Receivers is protected by security practices and procedures that include, at a minimum, adequate levels of (1) physical security to protect against theft, tampering, or damage, (2) personnel and access controls to protect against unauthorized access and use, and (3) network security to ensure secure capture, storage, and distribution.

SECTION 3.10 Obligations of Originators of Telephone-Initiated Entries

SUBSECTION 3.10.1 Verification of Receiver Identity

Each Originator that initiates TEL entries must employ commercially reasonable procedures to verify the identity of the Receiver.

SUBSECTION 3.10.2 Verification of Routing Numbers

Each Originator that initiates TEL entries must use commercially reasonable procedures to verify that routing numbers are valid.

SECTION 3.11 Payment to ODFI

Each Originator that utilizes a Third-Party Sender to authorize an ODFI to transmit credit or debit entries agrees to make payment to the ODFI for any such credit entries originated and for any debit entries returned by the RDFI to the extent that the ODFI does not receive payment from the Third-Party Sender.

SECTION 3.12 Record of Authorization

An Originator must retain the original or a copy of each authorization of a Receiver for two years from the termination or revocation of the authorization. In the case of TEL entries, the Originator must retain the original or a copy of the written notice or the original or

sent by the Originator to the RDFI for the benefit of all Receivers having accounts at the RDFI. No provision of these rules prevents an RDFI from expressly agreeing in a master agreement that the liability provisions of this section 4.8 may be altered, amended, or superseded on a Receiver-by-Receiver basis.

SECTION 4.9 RDFI Receipt of Death Notification Entry

SUBSECTION 4.9.1 Notification of Death

Receipt of a DNE entry constitutes notice of death. Only an agency of the Federal Government may originate such entries.

ARTICLE FIVE — OBLIGATIONS OF THIRD-PARTY SENDERS

SECTION 5.1 Identification of Originators

Each Third-Party Sender must, upon the ODFI's request, provide the ODFI with any information the ODFI reasonably deems necessary to identify each Originator for which it transmits entries. Such information must be provided to the ODFI by the Third-Party Sender within two banking days of receipt of the ODFI's request.

SECTION 5.2 Warranty and Indemnification of Third-Party Sender

Each Third-Party Sender authorizing the ODFI to transmit, and to credit or debit the amount of, one or more entries to the Receiver's account warrants to the ODFI that the Originator has agreed to assume the responsibilities of an Originator under these rules. In any case where such Originator fails to perform its obligations as an Originator under these rules, the Third-Party Sender authorizing such entry indemnifies the ODFI from and against any and all claim, demand, loss, liability, or expense, including attorneys' fees and costs, that result directly or indirectly from the failure of the Originator to perform its obligations as an Originator under these rules.

SECTION 5.3 Performance of ODFI Obligations

Each ODFI that enters into an agreement with a Third-Party Sender for the transmission of Entries shall be liable for the performance by such Third-Party Sender of the Third-Party Sender's obligations under these rules and shall bind the Third-Party Sender to comply with these rules. To the extent that a Third-Party Sender performs any of the obligations of an ODFI under these rules, the

Third-Party Sender shall perform to the requirements of these rules otherwise applicable to the ODFI, and warrants that it is legally able to do so, including, without limitation, each of the following, as applicable:

- 2.8 Re-presented Check Entries;
- 2.9 Accounts Receivable Entries;
- 2.10 Back Office Conversion Entries;
- 2.12 ~~Internet-Initiated Entries;~~ Internet and Mobile Entries
- 2.13 Point-of-Purchase Entries;
- 2.14 Telephone-Initiated Entries;
- 2.17 Release of Information; and
- 8.1 Recall by ODFI or Originator.

Without limitation of the foregoing, each Third-Party Sender also makes to the ODFI each of the warranties set forth at Section 2.2 [Warranties and Liabilities of Originating Depository Financial Institutions] (excluding the warranties in subsections 2.2.1.11 [Sending Points], 2.2.1.12 [Audits], and 2.2.4 [Sending Points]), Section 2.12.2 [ODFI Warranties], and Section 11.2 [Warranties of Gateway Operators for IAT Entries. The performance by a Third-Party Sender of any of the obligations of the ODFI under these rules shall not relieve the ODFI of any of its obligations hereunder.

SECTION 5.4 Payment to ODFI

The Third-Party Sender agrees to make payment to the ODFI for any credit entries originated and for any debit entries returned by the RDFI.

SECTION 5.5 Performance of Originator Responsibilities

For the purposes of providing copies of documents to an ODFI under the following rules, each Third-Party Sender shall be jointly and severally liable for the performance of the obligations of the Originator:

- 3.6.3 Copy of Item;
- 3.7.3 Copy of Source Document;
- 3.8.5 Copy of Source Document; and
- 3.13 Record of Authorization.

SECTION 5.6 Termination, Suspension, and Audit of Third-Party Senders

In addition to any other termination or suspension rights in any agreement between a Third-Party Sender and an ODFI, including for breach, if a Third-Party Sender breaches these rules, or causes its ODFI to breach these rules, the agreement between the Third-Party Sender and the ODFI may be terminated or suspended by the ODFI upon ten (10) banking days' notice, or such shorter notice period as may be provided in such agreement. In addition to any other audit rights that may be set forth in any agreement between a Third-Party Sender and an

SUBSECTION 14.1.63 “Single Entry”

means a one-time transfer of funds initiated by an Originator in accordance with the Receiver’s authorization for a single ACH credit or debit to the Receiver’s account.

SUBSECTION 14.1.64 “TEL entry”

means a Single-Entry debit initiated by an Originator pursuant to an oral authorization obtained over the telephone to effect a transfer of funds from a Consumer Account of the Receiver. This type of entry may only be used for a Single Entry for which there is no standing authorization for the origination of ACH entries to the Receiver’s account. A TEL entry may only be used when there is an Existing Relationship between the Originator and the Receiver, or, when there is not an Existing Relationship between the Originator and the Receiver, when the Receiver initiates the telephone call.

SUBSECTION 14.1.65 “Third-Party Sender”

means a type of Third-Party Service Provider. It is a person that is not an Originator that has authorized an ODFI or another Third-Party Sender to transmit, for the account of the Third-Party Sender or another Third-Party Sender, (i) a credit entry to the account of a Receiver with an RDFI, or, if the Receiver is also the RDFI, to such Receiver, in order to effect a payment from the Originator to the Receiver, or (ii) a debit entry to the Receiver’s transaction account or general ledger account with an RDFI, or, if the Receiver is also the RDFI, to such Receiver, in order to effect a payment from the Receiver to the Originator.

SUBSECTION 14.1.66 “Third-Party Service Provider”

means an entity other than an Originator, ODFI, or RDFI that performs any functions on behalf of the Originator, the ODFI, or the RDFI related to ACH processing of entries, including but not limited to, the creation of ACH files or acting as a sending or receiving point on behalf of a Participating DFI.

SUBSECTION 14.1.67 “Transmit”

means to deliver by electronic means of communication.

SUBSECTION 14.1.68 “TRC entry”

means a debit entry initiated pursuant to a check truncation program.

SUBSECTION 14.1.69 “Truncation”

means a process whereby checks are presented by transmission of information describing the check rather than by the delivery of the check itself.

SUBSECTION 14.1.70 “TRX entry”

means an entry initiated pursuant to a check truncation program. Multiple checks are placed in the Payment Related Information section of the Addenda Record in accordance with National Association for Check Safekeeping syntax. A TRX entry can contain up to 9,999 addenda records.

SUBSECTION 14.1.71 “Unsecured Electronic Network”

~~means a network, public or private, that is not located entirely within a single, contiguous, physical facility and any part of which that has not implemented security technologies that provide a level of security that, at a minimum, is equivalent to 128-bit RC4 encryption technology.~~ means a network, public or private and wired or wireless, that (i) is not located entirely within a single, contiguous, physical facility and (ii) permits the transmission of data with security or using security technologies that do not provide a level of security that, at a minimum, is equivalent to 128-bit RC4 encryption technology. A virtual private network (VPN) that uses sufficient encryption is not an Unsecured Electronic Network because all data communicated over the VPN is sufficiently protected. The Internet is an Unsecured Electronic Network, even though secure transmissions may be made over that otherwise unsecure network.

SUBSECTION 14.1.72 “WEB entry” or “WEB”

~~means a debit entry initiated by an Originator pursuant to an authorization that is obtained from the Receiver via the Internet to effect a transfer of funds from a Consumer Account of the Receiver.~~ means a debit entry to a Consumer Account that is initiated by an Originator (i) pursuant to an authorization, other than an oral communication, that is obtained from the Receiver via the Internet or a Wireless Network, or (ii) pursuant to any form of original authorization if the individual debit Entry is initiated via a Wireless Network, other than through an oral communication.

SUBSECTION 14.1.73 “Wireless Network”

means a wireless communications network, excluding any wireless local area network that is (i) composed primarily of commonly-owned or controlled computers and (ii) is protected by security technologies providing a level of security that, at a minimum, is equivalent to 128-bit RC4 encryption technology.

SUBSECTION 14.1.73 “XCK entry”

means a debit entry initiated in the event an item eligible for section 2.7 (Destroyed Check Entries) is contained