

## Origination of ARC Entries

- ◆ Employ commercially reasonable procedures to verify the identity of the Receiver.
- ◆ Company must have procedures in place to securely store and destroy the source document and all banking information related to the entry.
- ◆ Company must provide the Receiver with notice that includes the following, or substantially similar language: “When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.” For ARC entries a copy of the notice must be provided to the Receiver prior to receipt of the check.
- ◆ Source documents (checks) presented by the Receiver must have a pre-printed serial number, must be in an amount of \$25,000 or less, and be completed and signed by the Receiver.
- ◆ Prohibited source documents that ***CANNOT*** be converted:
  - Items that contain an Auxiliary On-Us Field in the MICR line
  - Amounts greater than \$25,000
  - Third-party checks or share drafts
  - Remotely created checks, as defined by Regulation CC, and third-party drafts that do not contain the signature of the Receiver
  - Checks provided by a credit card issuer for purposes of accessing a credit account or checks drawn on home equity lines of credit
  - Checks drawn on an investment company as defined in the Investment Company Act of 1940
  - Obligations of a financial institution (e.g., travelers checks, cashier’s checks, official checks, money orders, etc.)
  - Checks drawn on the U.S. Treasury, a Federal Reserve Bank, or a Federal Home Loan Bank
  - Checks drawn on a state or local government that are not payable through or at a participating DFI
  - Checks or share drafts payable in a medium other than United States currency.
  - Checks or share drafts that have not been encoded in magnetic ink.
- ◆ Company is prohibited from collecting fees by adding to the amount of the source document. A separate entry using the appropriate Standard Entry Class Code must be used to collect a service fee from the Receiver if Receiver’s authorization has been obtained.
- ◆ Company must establish and maintain a working telephone number for Receiver inquiries regarding the transaction that is answered during normal business hours. This telephone number must be displayed on the notice required by the ACH Rules for ARC entries.
- ◆ Company certifies that capture of information for the amount of the entry, the routing number, the account number, and the check serial number are in accordance with the source document as required by the use of a reading device to capture the MICR line of the source document. (subsequent correction of errors related to MICR misreads, mis-encoding, or processing rejects is permitted by key entry).
- ◆ Company is required to retain a reproducible, legible image, microfilm, or copy of the front of the Receiver’s source document for each ARC entry for two years from the Settlement Date of

the ARC entry. At discretion of Company, copies of backs of the source documents may be retained.

- ◆ Company is required to provide copies of source document upon request of ODFI. The copy must indicate that it is a copy on its face.

**Note: The ODFI is required to provide a copy of the source document within 10 banking days.**

- ◆ Company agrees that the check will be used only as a source document and will not enter into the check collection process.