

METHODS OF OBTAINING AUTHORIZATIONS

- **Internet-Initiated / Mobile Authorization** — a similarly authenticated authorization allowing a debit to a consumer account that is communicated, other than by an oral communication via the telephone, via the internet or a wireless network. (WEB)
- **Notice** — an authorization allowing a debit to a consumer account provided by notice to the Receiver. (ARC, BOC, POP, RCK)
- **Oral Authorization** — a remote (not in-person) oral authorization of one or more entries to a consumer account. An authorization that is created by voice-to-text technology is NOT considered an Oral Authorization if it is either visually viewed by Receiver or used by the Receiver without prompting by the Originator. (WEB SEC Code)
- **Recurring Authorization** — an authorization allowing entry (ies) to a consumer account that recurs at substantially regular intervals, without further affirmative action by the Receiver to authorize those entries.
- **Single Authorization** — an authorization allowing a one-time transfer to or from a Receiver’s account by an Originator.
- **Standing Authorization** — an advance authorization by a Receiver of future entries to the Receiver’s consumer account that requires further affirmative action
- **Written Authorization** — an authorization to credit or debit the consumer account of the Receiver provided in writing, by electronic signature, or similarly authenticated
- **Subsequent Entry** — an authorization initiated by a consumer Receiver’s affirmative action in accordance with the terms of a Standing Authorization. (TEL, WEB, PPD)
- **Telephone Authorization** — an oral authorization obtained via a telephone call allowing an Originator to debit a consumer account. (TEL)



Readily Identifiable



Clear & Understandable



Signed or Similarly Authenticated



Revocation Language

MINIMUM REQUIREMENTS

An authorization for a consumer debit entry must at a minimum, include:

- Language regarding whether the authorization is for a Single, Multiple, or Recurring Entry (ies);
- Amount of the Entry (ies) or a reference to the method of determining the amount;
- Timing (start date), number, and/or frequency
- Receiver’s name;
- Account to be debited;
- Date of Receiver’s authorization; and
- Language instructing Receiver how to revoke the authorization with the Originator and manner in which communication with Originator is to occur.

Notes

- For a single entry scheduled in advance, the right of the Receiver to revoke the authorization must afford the Originator a reasonable opportunity to act on the revocation.
- An Originator must provide each Receiver with an electronic or hard copy of the Receiver’s authorization for ALL debit entries to a consumer account
- With respect to a Standing Authorization, these minimum standards may be met through a combination of the Standing Authorization and affirmative action to initiate a Subsequent Entry.

REMINDERS, RULE REQUIREMENTS, NOTICES, RETENTION, REQUESTS

- Authorization of a credit entry to a consumer account may be obtained in any manner permitted by applicable legal requirements.
- Authorization requirements are determined based on the ACH entry type (SEC Code).
- May exceed minimum requirements provided all minimum requirements are met.
- Rules require use of appropriate SEC code.
- Must be readily identifiable as ACH authorization.
- Clear and readily understandable terms.
 - An authorization that is not clear and readily understandable is not a valid authorization.
- Provide a method for the Receiver to revoke authorization (exceptions are ARC, BOC, POP, RCK).
- All debits to consumer accounts must be via a writing. that is signed or similarly authenticated, with exception of ARC, BOC, RCK, and TEL entries.
- When using an electronic signature it must comply with the E-Sign Act and an electronic authorization must be visually displayed so the consumer may read.
- **Retention**
 - Originator must retain the original or a copy of each written authorization of a Receiver or a readily and accurately reproducible record evidencing the authorization for *two years* from termination or revocation.
 - Regarding Standing Authorizations, the Originator must retain the original or a copy of each Standing Authorization for two years following termination or revocation, as well as proof the Receiver affirmatively initiated each payment in accordance to the Standing Authorization for two years following the Settlement Date.
- **Request From RDFI to ODFI**
 - Upon request by an RDFI, the ODFI must
 - provide the original, copy, proof of affirmative action,
- or other accurate record of the authorization within *ten banking days* without charge, or
 - confirm to the RDFI in writing the ODFI's agreement to accept the return of the entry within *ten banking days*.
- If after agreeing to accept return, the RDFI still requests evidence of authorization the ODFI must provide within *ten banking days*.
- **Request from ODFI to Originator**
 - Upon request by an ODFI, the Originator must provide
 - the original, copy, affirmative action, or other record of the authorization in a time and manner that will allow the ODFI to meet the request of an RDFI within *ten banking days*
- **Notice of Changes**
 - **Notice of Change in Amount** — if the amount of a debit entry to a consumer account differs from the immediately preceding debit or from a preauthorized amount, an Originator must send Receiver written notification of the amount at least *ten calendar days* in advance. If Originator provides, and Receiver chooses, to allow for debits within a range or an agreed upon amount, no notice is required.
 - **Notice of Change in Scheduled Debiting Date** — if the agreed upon scheduled debit date changes the Originator must send the Receiver written notification of the new date. Notice must be sent at least *seven calendar days* in advance. Notice is not required when variations in debiting dates is due to Saturdays, Sundays, or holidays.



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Revocation Language

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ORAL AUTHORIZATION REMINDERS

- Must meet minimum standards.
- Must use SEC Code and security requirements.
- When communicated (other than via phone call) over unsecured electronic network, must comply with secure transmission requirements within Section 1.7 of Nacha rules.
- If Single Authorization, must make an audio recording and provide Receiver with written notice prior to settlement or retain original or duplicate of recording for two years from date of authorization.
- If a Recurring Authorization must comply with Reg E for the authorization of preauthorized transfers, including sending a copy of authorization to Receiver, retain for two years from termination or revocation a copy or duplicate of recording and evidence a copy of the authorization was provided to Receiver.
- If a Standing Authorization, Originator must make an audio recording or provide Receiver with written notice confirming the oral authorization prior to settlement and retain original or duplicate audio recording or original copy of notice for two years from the termination or revocation.
- Requirement that an Electronic Authorization must be visually displayed in a manner that enables the consumer to read the communication does NOT apply to oral authorization.



STANDING AUTHORIZATION REMINDERS

- Must meet minimum standards.
- A Standing Authorization requires further affirmative action by Receiver to initiate.
- Originator must clearly specify within the Standing Authorization the action or actions the Receiver can take to initiate the Subsequent Entry.
- A Standing Authorization that is also an Oral Authorization must comply with requirements for an Oral Authorization.
- In any case where the Receiver's affirmative action to initiate a Subsequent Entry involves the communication or confirmation of any of the Receiver's banking information via an unsecured electronic network, the Originator must comply with the security requirements of the Nacha rules. (Section 1.7)
- An Originator may identify a Subsequent Entry using the SEC code appropriate to either the manner in which the Standing Authorization was obtained from the Receiver, or the manner in which the Receiver's affirmative action to initiate a Subsequent Entry was communicated to the Originator.
 - Note — An Originator that obtains the Receiver's Standing Authorization as an Oral Authorization via a telephone call or via the internet or wireless network may NOT identify a Subsequent Entry using the PPD SEC code.

CONSUMER DEBIT SEC CODES* & METHOD OF DEBIT AUTHORIZATION

ARC	Accounts Receivable Entry—Debit—Single — Notice	RCK	Re-presented Check Entry — Debit — Single — Posted Notice
BOC	Back Office Conversion — Debit — Single — Notice	TEL	Telephone Initiated Entry — Debit — Single/Recurring — Orally authorized via telephone
IAT	International ACH — Debit/Credit — Single/Recurring — In Writing and Signed/Similarly Authenticated	WEB	Internet-Initiated/Mobile Entry — Debit — Single/Recurring — In Writing and Signed or Similarly Authenticated
POP	Point-of-Purchase — Debit — Single — Posted Notice and In Writing and Signed or Similarly Authenticated	*	This list does not include all consumer SEC codes
PPD	Prearranged Payment and Deposit — Debit/Credit — Single/Recurring — In Writing and Signed/Similarly Authenticated		

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ARC REQUIREMENTS

Eligible source document via U.S. mail, drop box, or in-person at manned location

- Must meet minimum standards.
 - Revocation language does not apply to ARC entries
- Must use proper SEC Code.
- Conspicuous notice must be provided to receiver that includes the following or similar language prior to receipt of the eligible source document:

“When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic funds transfer from your account or to process the payment as a check transaction.”
- Originator must use eligible source document to capture account number, check serial number, and dollar amount using a reading device.
- May only key enter information to correct errors from misreads, misencoding, or processing rejects.
- Must retain a legible copy of the front of source document for two years from settlement date.
 - Must be clearly marked as a copy.
- Must securely store eligible source document and all banking information until destroyed.



BOC REQUIREMENTS

Eligible source document in-person or at manned location, processed in back office

- Must meet minimum standards.
 - Revocation language does not apply to BOC entries
- Must use proper SEC Code.
- Must be in-person transaction, point-of-purchase
- Conspicuous notice must be posted in a prominent and conspicuous location and must provide a copy of such notice to Receiver at the time of transaction. The notice may be the following or 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 funds transfer from your account or to process the payment as a check transaction. For inquiries please call <retailer phone number>.”
- Originator must use eligible source document to capture account number, check serial number, and dollar amount using a reading device.
- May only key enter information to correct errors from misreads, misencoding, or processing rejects.
- Must retain a legible copy of the front of source document for two years from settlement date.
 - Must be clearly marked as a copy.
- Must securely store eligible source document and all banking information until destroyed.



POP REQUIREMENTS

Eligible source document in-person at the point-of-purchase or manned location

- Must meet minimum standards.
 - Revocation language does not apply to POP entries
- Must use proper SEC Code.
- Must provide receipt to Receiver containing information as required by the Nacha rules. The receipt must not contain the complete account number or identification number.
- Conspicuous notice must be posted and a copy provided to Receiver at the time of the transaction that includes the following or similar language prior to receipt of the eligible source document:

“When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic funds transfer from your account or to process the payment as a check transaction.”
- Originator must use eligible source document to capture account number, and check serial number, using a reading device. Source document need not be signed or completed
- May only key enter information to correct errors from misreads, misencoding, or processing rejects.
- Originator must void and return the eligible source document to the Receiver at the time of the transaction
- Must retain record evidencing the authorization for two years from settlement date. Must provide to ODFI upon request.

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TEL REQUIREMENTS

Oral authorization via telephone

- Must obtain from Receiver or state during call the minimum requirements, and provide a telephone number that is answered during normal business hours for Receiver's inquiries.
- Must use proper SEC Code.
- May only be used when there is an existing relationship between the Originator and Receiver, or, the Receiver initiated the phone call.
- Must be authorized by an oral authorization from Receiver.
- For a single entry TEL, the Originator must record the oral authorization, or provide Receiver with written notice confirming authorization prior to settlement.
- For recurring TEL entries, the Originator must record the oral authorization AND provide written notice to the Receiver prior to settlement.
- Originators must have a way to verify the identity of the Receiver and must establish process to verify the routing number is valid.
- May be used as Subsequent Entry affirmative action, regardless of the way the Standing Authorization is obtained. Verification of routing number does not apply Subsequent Entries.



WEB REQUIREMENTS

Internet-Initiated/Mobile Entry

- Must meet minimum standards.
- Must use proper SEC Code.
- Authorization communicated, other than orally via telephone, via internet or a wireless network—written authorization/similarly authenticated.
- Used when authorization is obtain in another permissible manner and the Receiver's instruction for initiation of the individual debit entry is via a Wireless Network.
- Must perform WEB debit annual audit requirement.
 - Adequate levels of physical security, personnel and access controls, and network security to ensure secure capture, storage, and distribution.
- Must establish and implement a commercially reasonable fraudulent transaction detection system and must at a minimum validate the account to be debited for first use and any subsequent changes.
- Must verify the Receiver's identity and routing number.
- May be used as Subsequent Entry affirmative action, regardless of the way the Standing Authorization is obtained. Verification of routing number and WEB debit annual audit do not apply to a Subsequent Entry WEB debit.



RCK REQUIREMENTS

Used to collect for NSF or uncollected checks

- Must meet minimum standards.
 - Revocation language does not apply to RCK entries
- Must use proper SEC Code.
- Proper notice constitutes authorization. Notice must be clear and readily understandable and must be provided in advance of receiving the item.
- Must be an item within meaning of Article 4 of the UCC
- Must be in an amount less than \$2,500.
- Item must be drawn on a consumer account and contain a pre-printed serial number and not presented more than three times
- An Originator must retain a copy of the front and back of the item for seven years from settlement date.
- Upon request from ODFI, Originator must provide copy of front and back of the item and if it has been fully paid it must be marked as paid on the face of the item. The ODFI must provide to RDFI within ten banking days. Originator must provide in a time and manner for the ODFI to meet this timeframe.

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