ACH Origination Processing

GUIDE

Citizens Bank & Trust

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Introduction

ACH origination allows your company to pay (credit) or collect (debit) funds from individual or other companies. These individuals and companies are referred to as receivers. For example, credit ACH origination could be used to pay your employees payroll or expense reimbursements. It could also be used to pay invoices from your vendors. ACH debit origination is used for collecting monthly fees or dues for various memberships.

ACH Origination services require a separate agreement. Please contact treasurymanagement@citizens-bank.com or your account relationship manager.

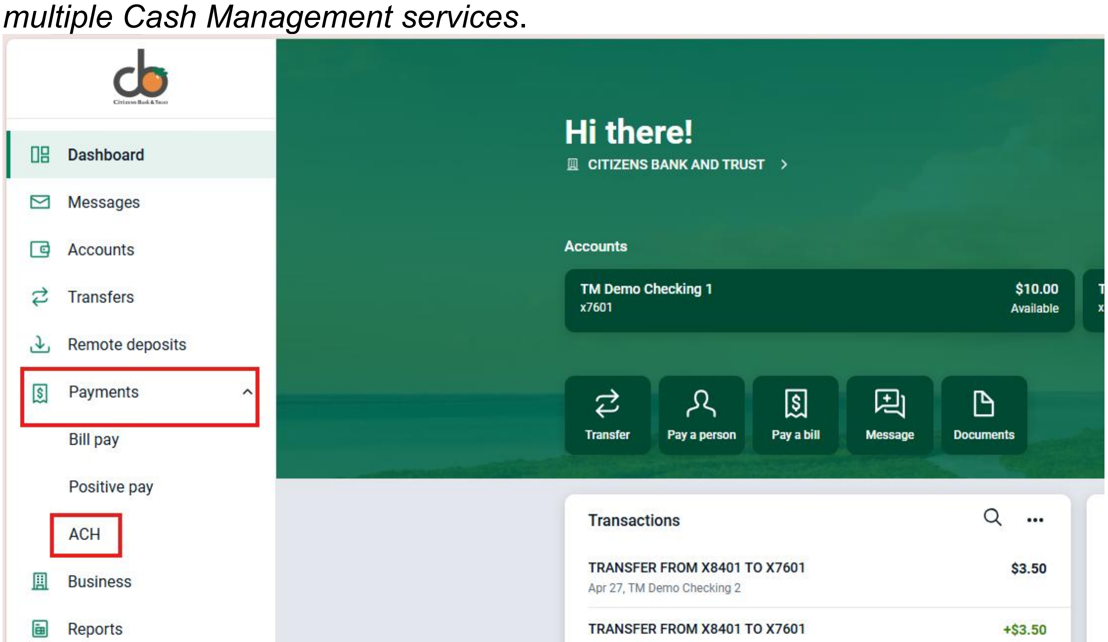
There are a few different ways to create an ACH batch for processing. The most popular are manual input, or your accounting software may have the ability to generate a Nacha formatted file that can be uploaded for processing.

Nacha File Upload

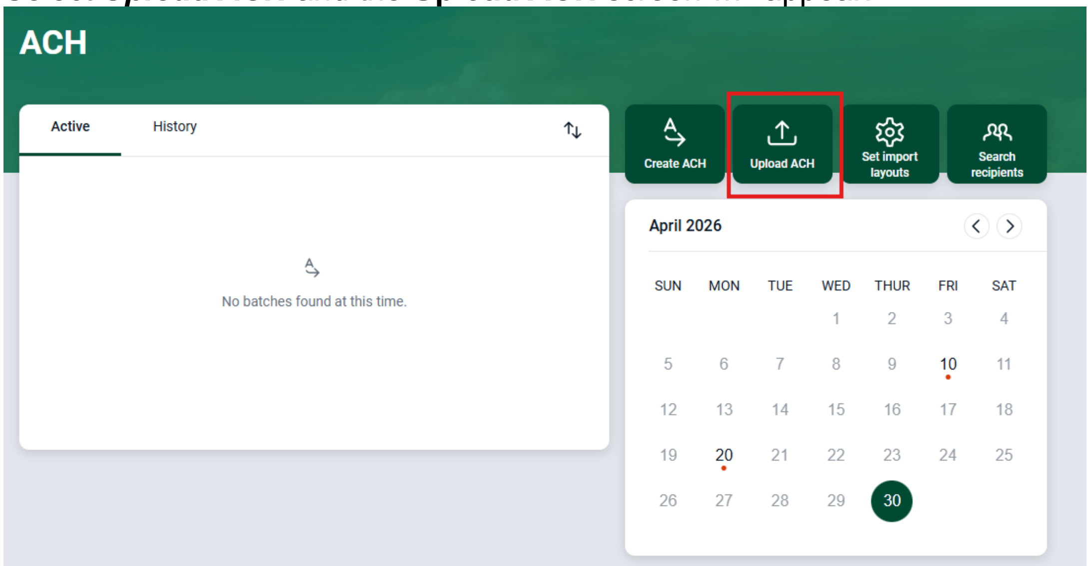
If you have accounting software that can create a Nacha formatted file, you can securely upload the file into Internet Banking and begin the initiation process.

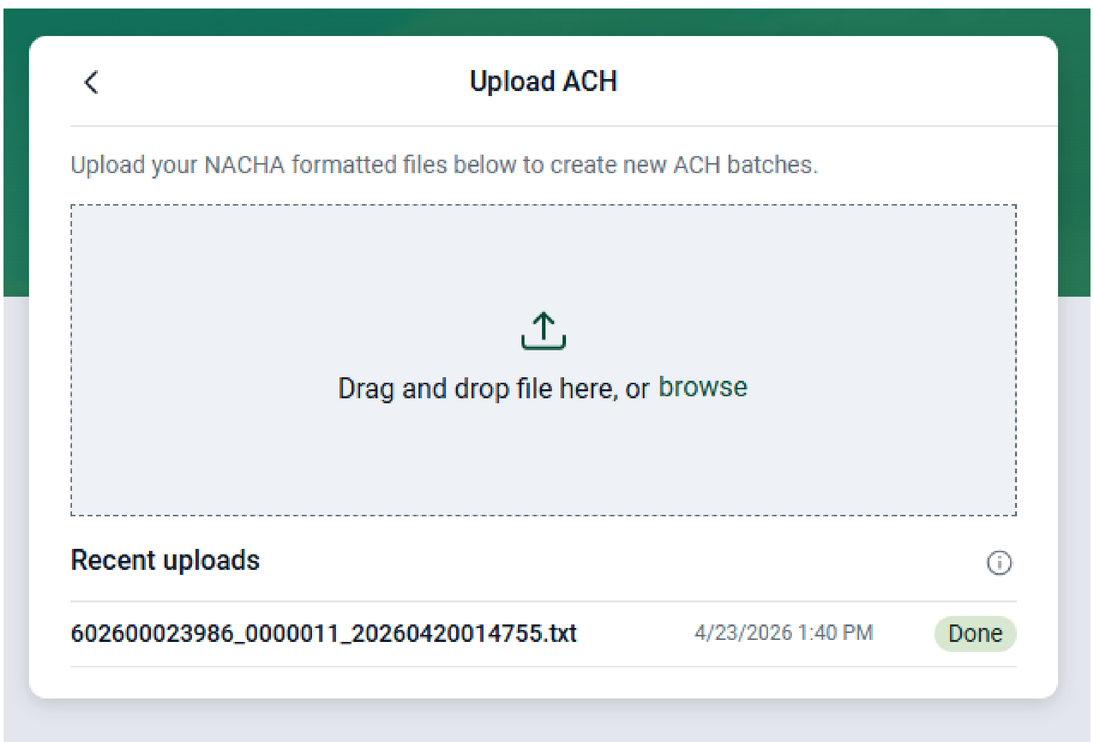
The files are validated for proper formatting when they are uploaded, if errors are found, they will be displayed for your review. Once the errors are corrected, the file can be uploaded again.

1. After signing into Citizens Bank & Trust Online Banking, select ***ACH*** to launch the ACH Origination Screen.
   Note: ACH may be located within the "Payments" dropdown menu option if you are enrolled in multiple Cash Management services.

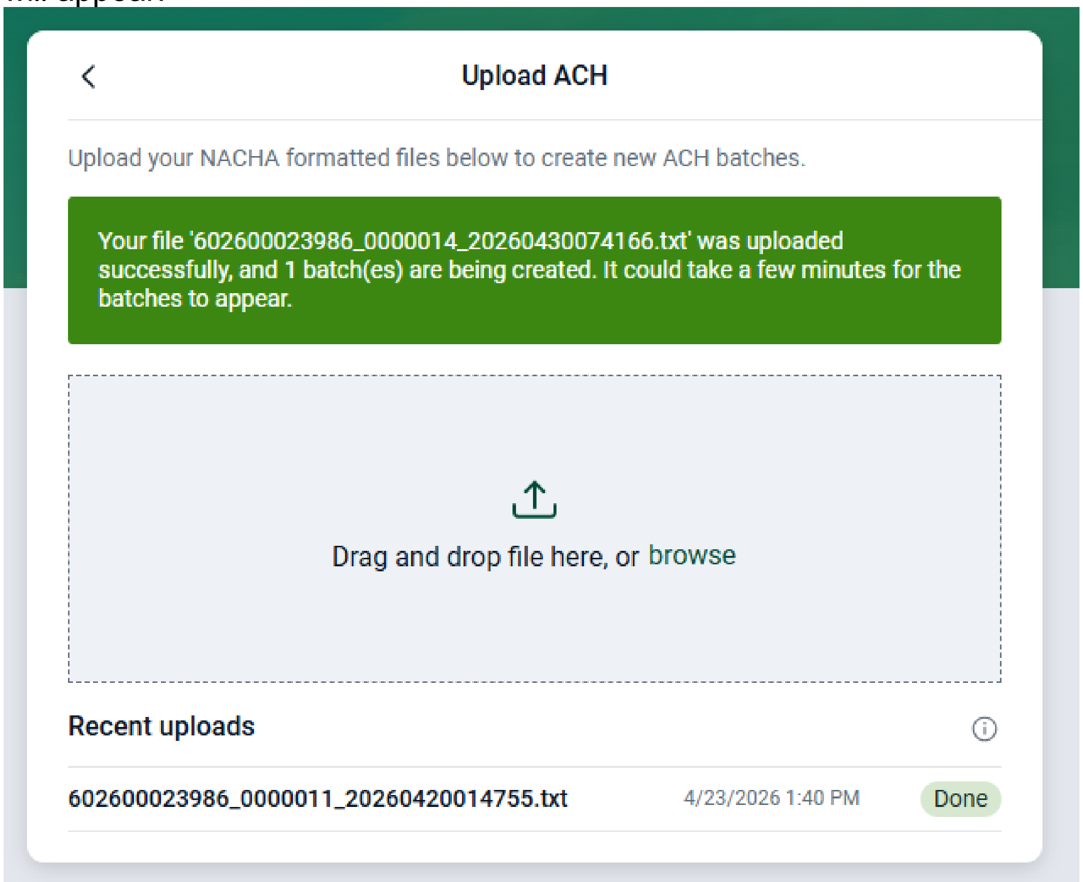


2. Select ***Upload ACH*** and the **Upload ACH** screen will appear:

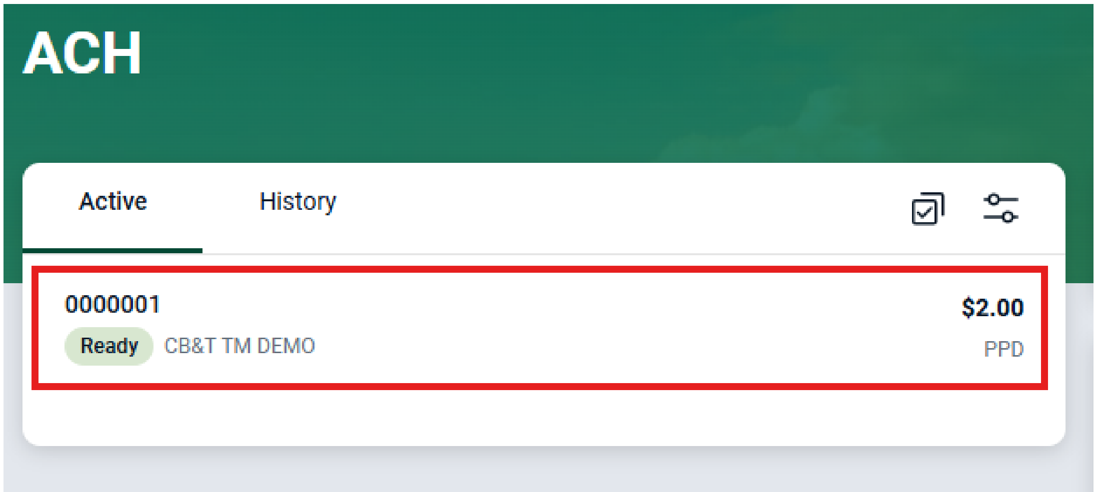


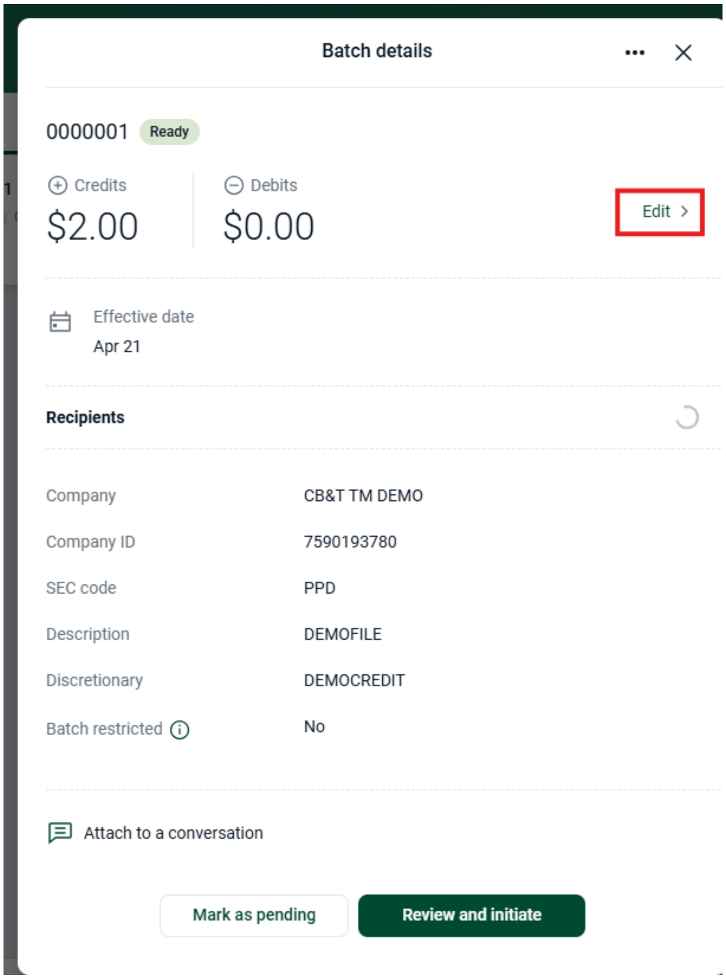


3. Select ***browse*** then navigate to your file location on your device and select the file. It is recommended to use a file with a .txt file extension.
4. Select the ***Upload*** button. If the file passes validation, the **File Upload Status** message box will appear:

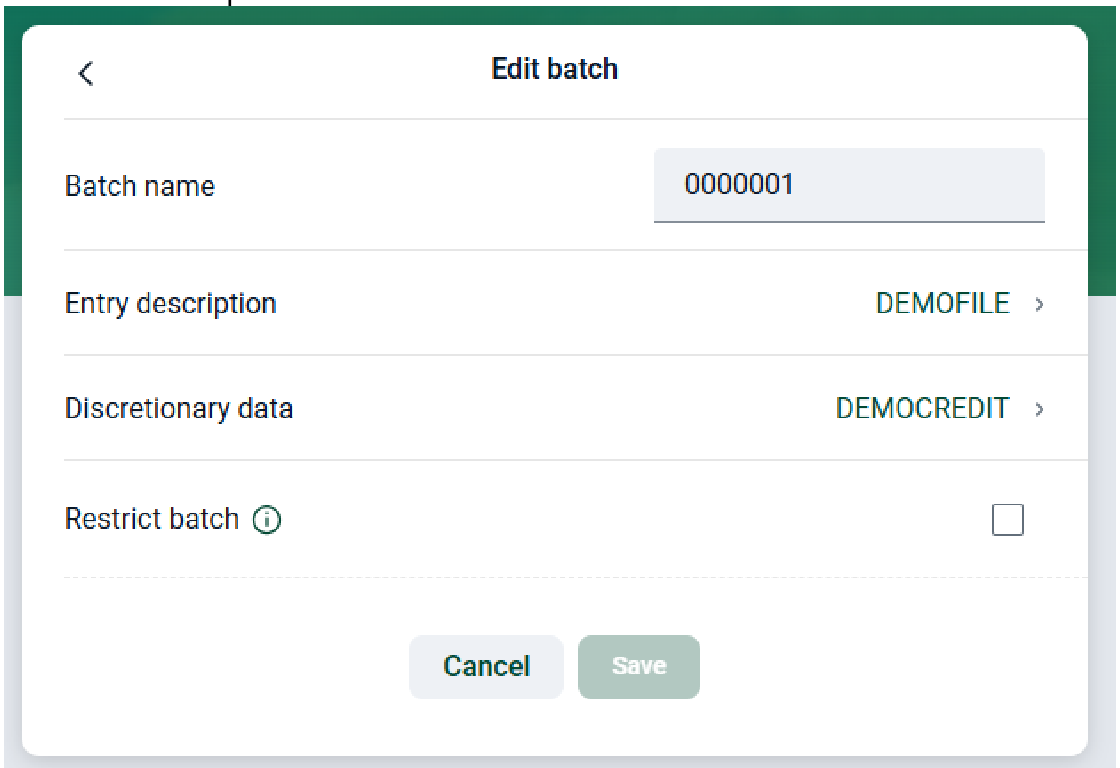


5. Use the back arrow icon to return to the Main ACH screen. Your uploaded file should be listed under the **Active** files with a status of "**Ready**". The **Batch File Name** is auto assigned. To modify the **Batch File Name**, select the batch to launch the **Batch details** screen then select **Edit**.



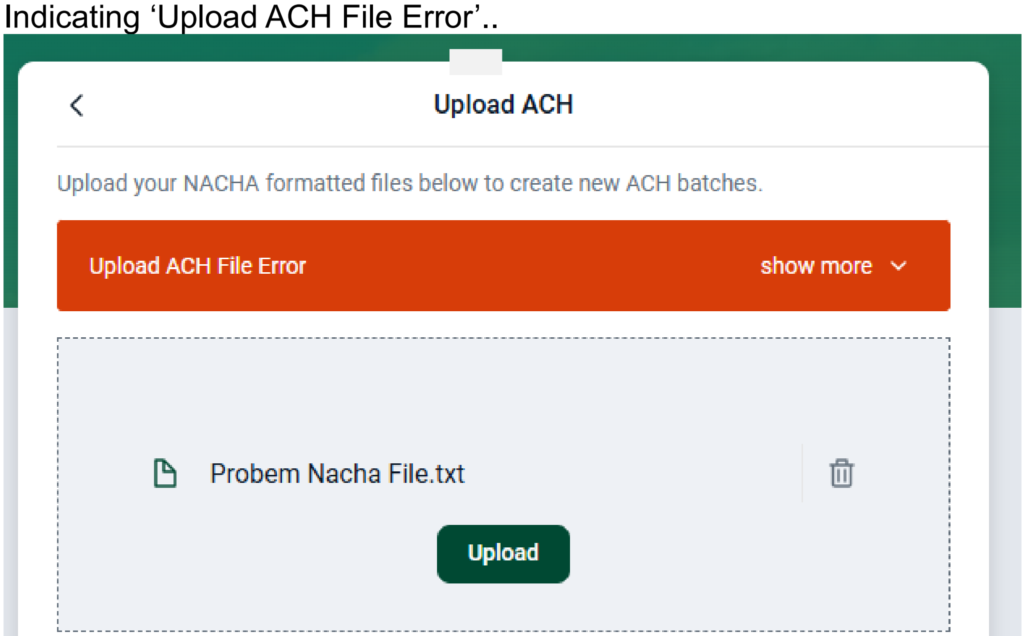


In the Edit Batch screen, you will have the option to enter a new Batch Name, Entry Description, and Discretionary Data. You will also have the option to restrict the batch. Select **Save** once complete.

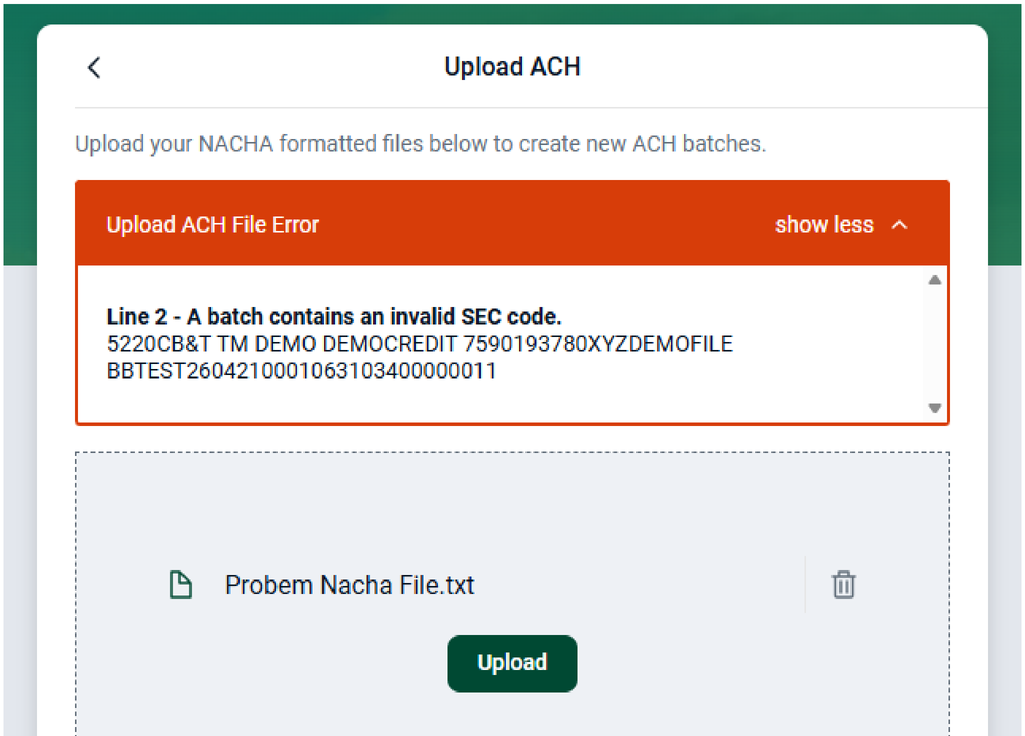


Errors in Uploaded Nacha File

If there were validation errors when uploading the file, you will receive an alert message Indicating 'Upload ACH File Error'..



Select ***show more*** to see the details for the error:



Make the necessary corrections in your file, and then reupload.

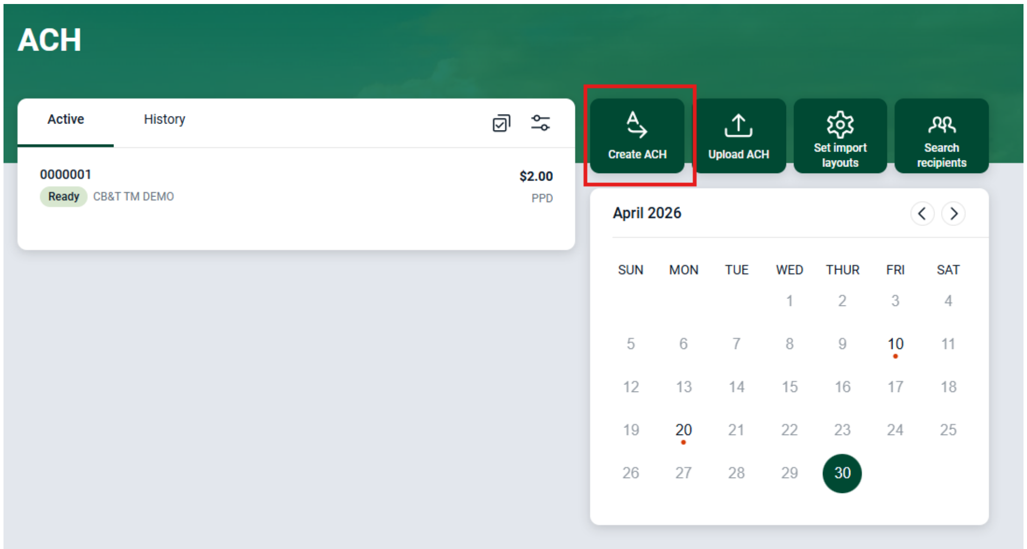
If you are having issues correcting the error, you may contact the Citizens Bank & Trust Treasury Management department for assistance at TreasuryManagement@Citizens-Bank.com or call 863-679-1540

Note: ACH files contain sensitive banking data and should not be sent in an unsecured email.

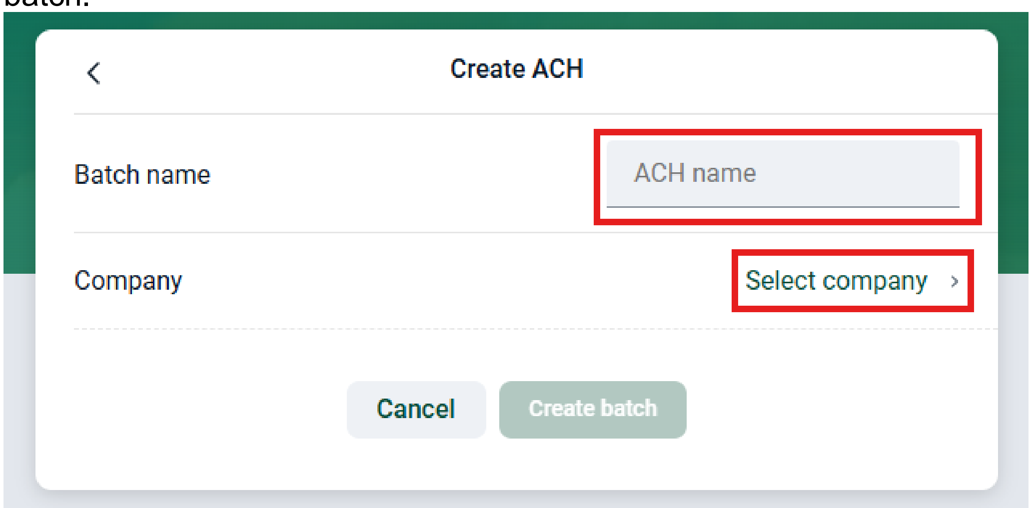
Manually Creating an ACH Batch

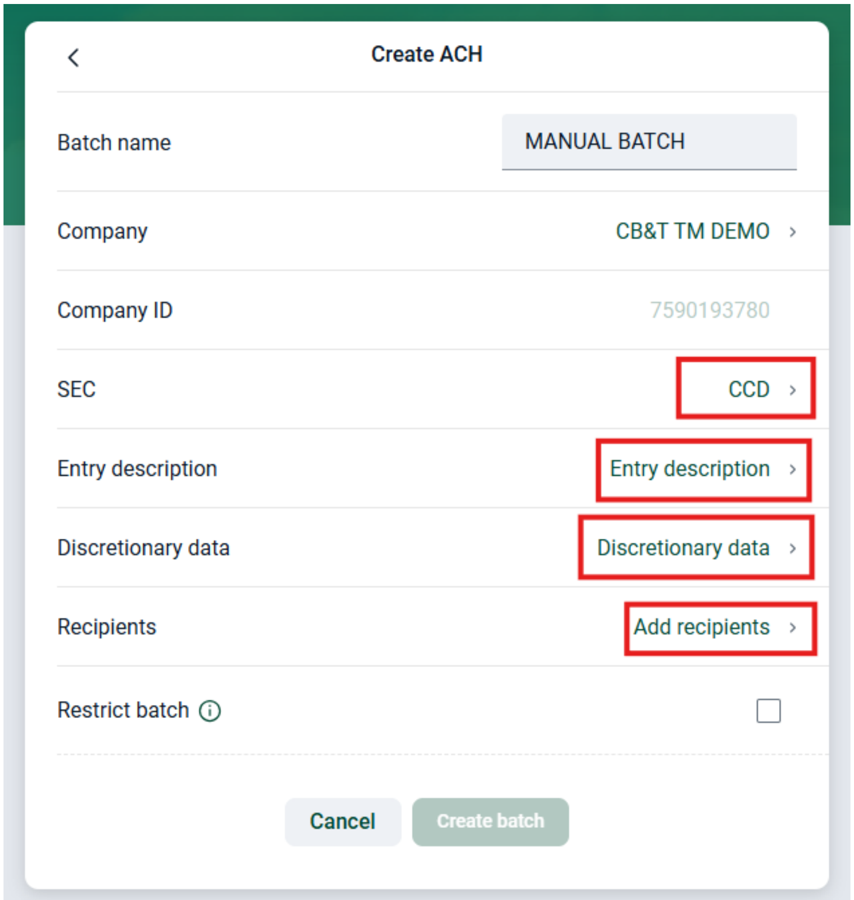
Manually creating an ACH Batch prompts the user to manually enter the batch header information and then add the individual transactions.

1. After signing into Citizens Bank & Trust Online Banking, select **ACH** to launch the ACH Origination Screen, then select ***Create ACH***
   Note: ACH may be located within the "Payments" dropdown menu option if you are enrolled in multiple Cash Management services

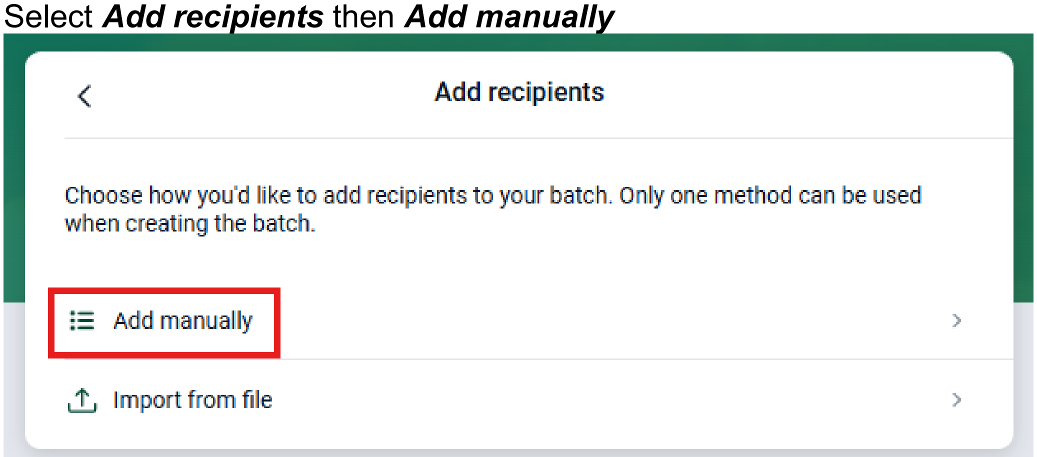


The **Create ACH** screen will display. Enter the **Batch Name** and select the **Company**. After the Company is selected, you will now have the option to select the **SEC Code** and enter the **Entry Description**. The Discretionary Data field is optional. The Restrict Batch field, when checked, will only allow users with access to Restricted Batches to view or work with that batch.

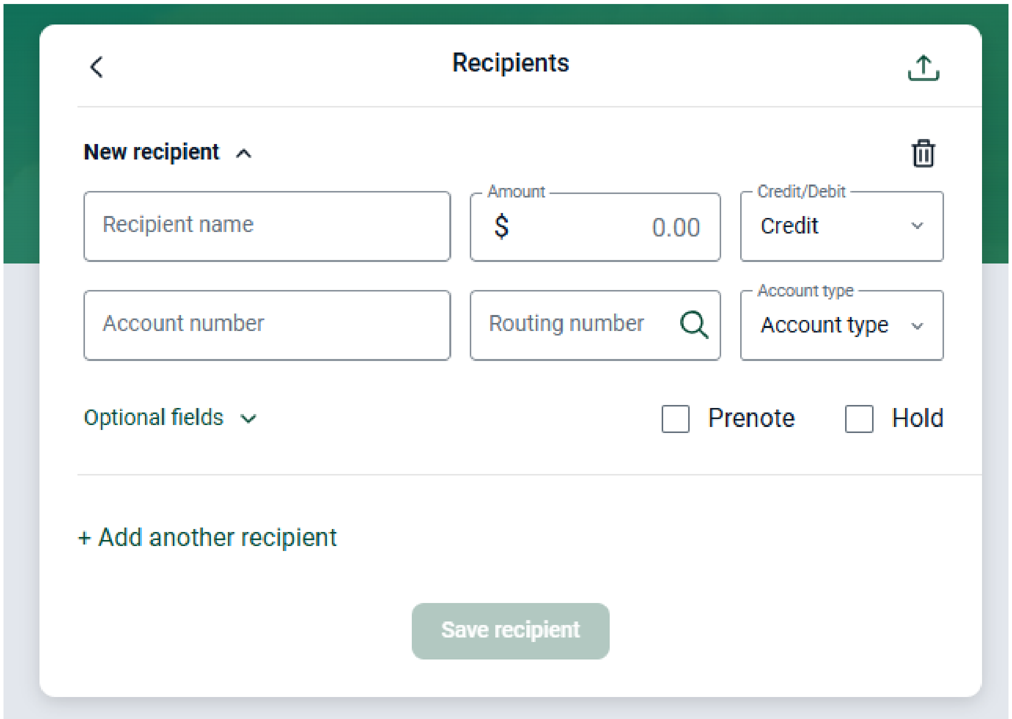




2. Select ***Add recipients*** then ***Add manually***



The New Recipient page will appear. Here you enter the information for each individual transaction in the batch.



Recipient Name
Enter the receiver of the transaction.

Amount
Enter the dollar amount of the transaction.

Credit/Debit
Select whether the transaction is a Debit or Credit to the receiver.

Account Number
Enter the receiver's account number.

Routing Number
Enter the receiving financial institution's routing number.

Account Type
Select the receiver's account type for the account number provided

Prenote
Select this check box to create a separate batch that contains a zero dollar, or test, transaction to verify the recipient's account information is correct.

Hold
Select this check box to prevent the transaction from being included within the batch totals. Holding a transaction allows you to initiate the batch without including the transaction, if needed.

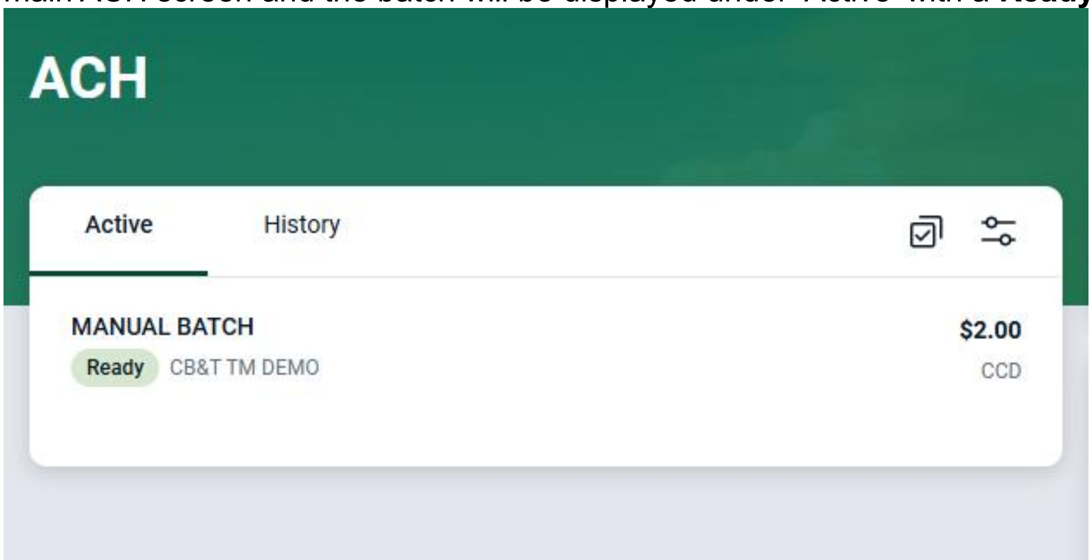
<u>You may use the Optional Fields Dropdown to access these additional fields</u>

ID Number (optional)
Enter the recipient identification number (i.e. employee number, member number, etc.).

Addenda (optional)
Enter the additional information to be transmitted with this record.

3. Select **Add Another Recipient** to enter another record.
   When done adding the transactions, select **Save Recipients** to save the records and return to the previous screen.

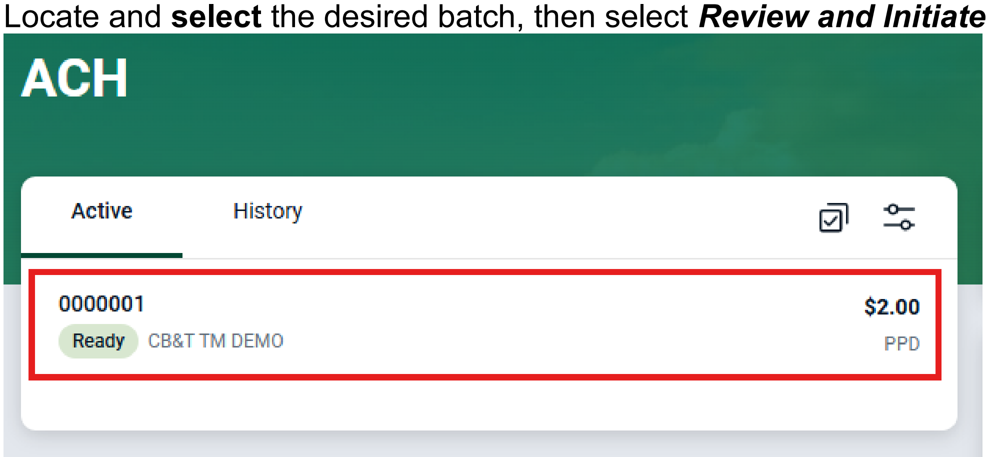
4. When done adding transactions, select the **Create Batch** button. You will be returned to the main ACH screen and the batch will be displayed under 'Active' with a **Ready** status

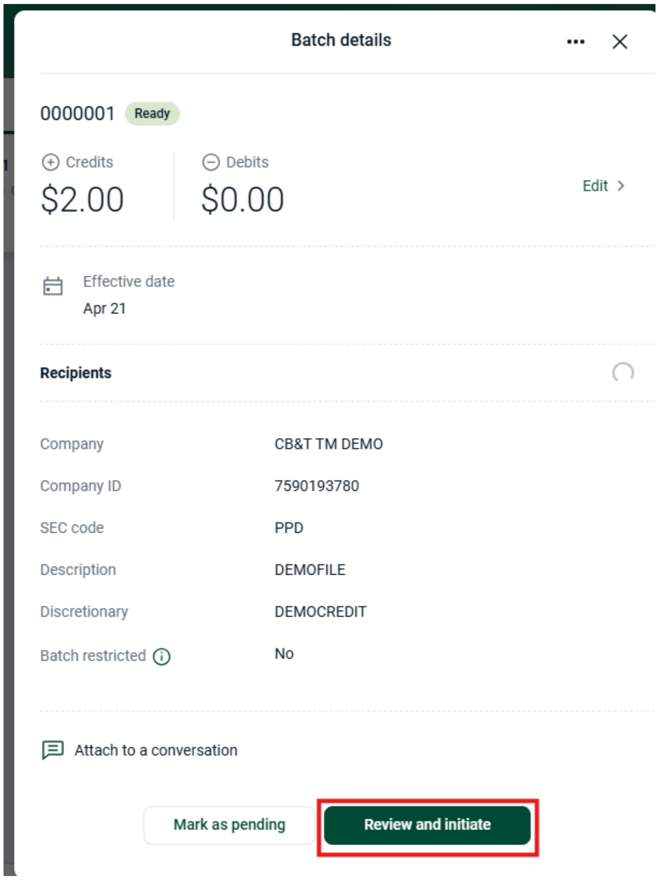


Initiating an ACH Batch

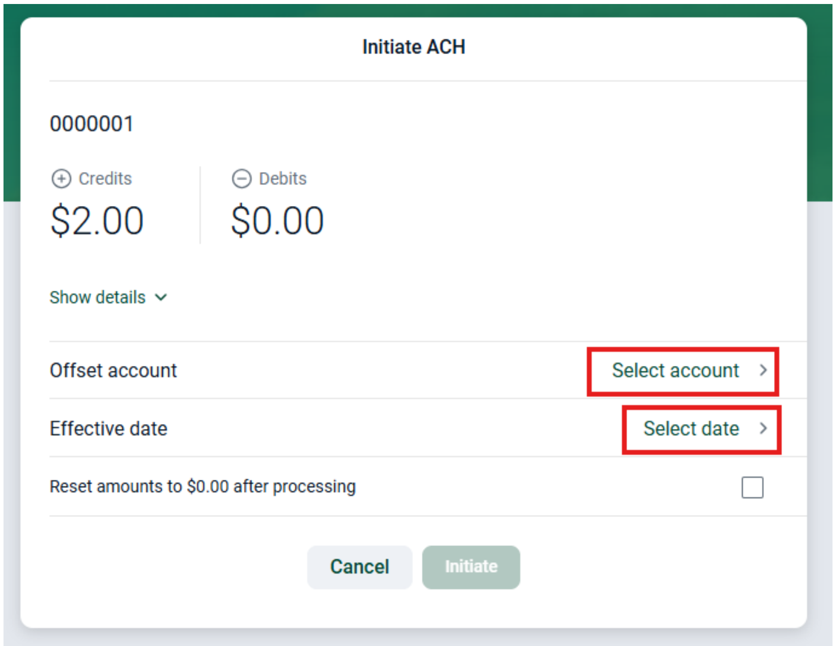
To initiate a batch, the user must have Initiate ACH permissions and, under dual control, cannot be the same user that uploaded or manually created the batch.

1. After signing into Citizens Bank & Trust Online Banking, select **ACH** to launch the ACH Origination Screen
   Note: ACH may be located within the "Payments" dropdown menu option if you are enrolled in multiple Cash Management services
2. Locate and **select** the desired batch, then select ***Review and Initiate***





3. The **Initiate ACH** screen will appear. Select the ***Offset Account*** for the transaction and the ***Effective Date***. The effective date is the day the transactions are to settle to the receiver's account. The offset account is the company account to which you want the offsetting debit or credit to post to on the effective date.
   Select ***Initiate*** when complete.



You will be prompted to complete dual authentication using the preferred method. Once successful, the **Batch Initiated** screen will display with the batch information and the confirmation number. Select ***Done*** to return to the Batch Details screen, then exit this screen to return to the main ACH page.

Once the batch is initiated, it will be displayed with the 'Initiated' status.

Uninitiating an ACH Batch

In the event that a batch was initiated in error and needs to be canceled, an ACH User may uninitiate the batch if it is still in the '***Initiated'*** status and has not yet been processed.
ACH batches are processed during the next processing window after your batch is initiated, therefore, it is critical to ensure that a batch is thoroughly reviewed *before* initiating.

1. To uninitiate a batch that has not yet been processed, select **ACH**, then select the desired batch to launch the **Batch Details** screen.
2. Select the ***Uninitiate*** button at the bottom of the screen
3. On the pop-up window, select '***Uninitiate'*** to confirm.
4. You will be returned to the Batch Details screen, and the batch will revert to the '***Ready'*** status

If the batch status is 'Processed', cancelling the transaction may still be possible if the bank is notified before the 4pm cutoff time at least two business days prior to the **effective date** of the batch, (or one business day if the batch was scheduled to be effective on the next day).

Note that the entire batch, not an individual transaction, will be cancelled, and a new batch will need to be initiated.

To notify the bank, email TreasuryManagement@Citizens-Bank.com or call 863-679-1540 and provide the ACH Company Name, ACH batch total, initiated date and effective date.
Note: Do not include the ACH File or any sensitive banking information in an unsecured email.

Event Alerts for ACH Origination

When enabled, Alerts will generate a notification to the subscribed user when a certain event occurs. For ACH origination users, it is highly recommended that alerts be enabled.

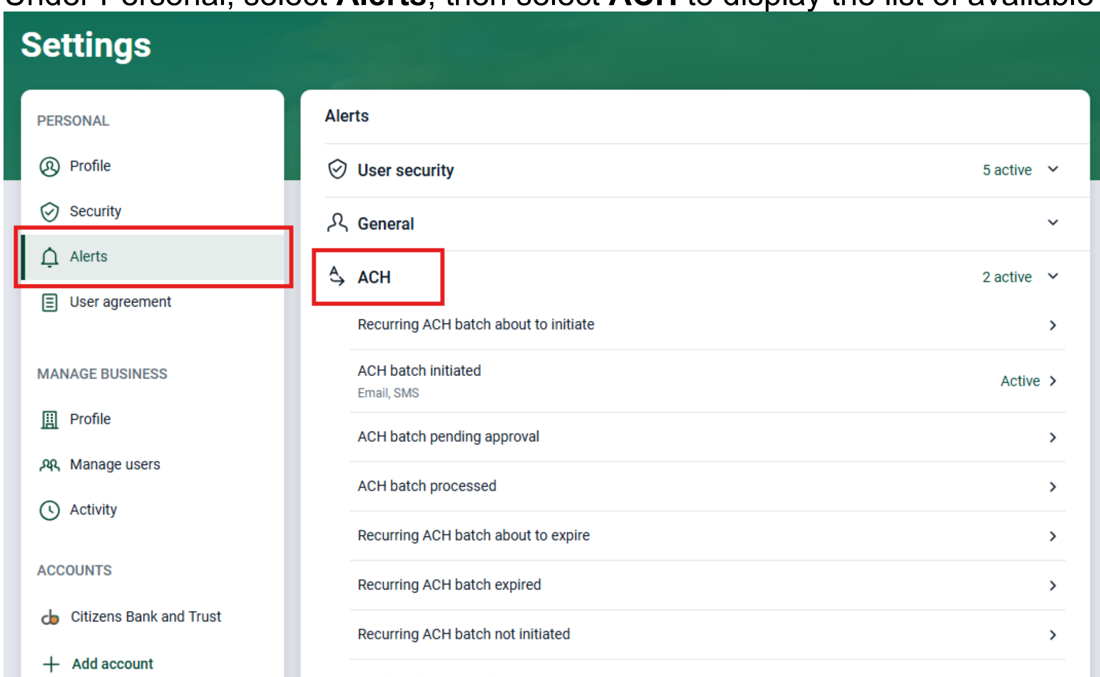
Alerts can assist with operations. When processing under dual control, an alert can notify/remind users when a batch is pending approval.

Alerts provide additional confirmation as to ACH origination activities that have occurred.

Alerts also provide an additional security layer. An unexpected alert, such as am alert received on a day that no origination activity was planned or expected, may prompt you to inquire on that activity and may prevent an erroneous or fraudulent file from being originated.

Alerts can be accessed by selecting **Your Name** at the bottom of the left navigation menu, then selecting **Manage Business**.

Under Personal, select **Alerts**, then select **ACH** to display the list of available alerts.



To enable an alert, select the alert and use the radio button to toggle on the desired alert method (Email, SMS, In-app message), then select **Save**.

For ACH origination processing, the following alerts are available:

ACH Batch Initiated
An ACH batch has been initiated by the company
ACH batch pending approval.
A user has started the process to initiate a batch, and the batch is now awaiting the second user to complete the initiation
ACH Batches Processed
An ACH batch has been processed by the bank
ACH Batches Uninitiated
A user has changed a batch status from Initiated to Uninitiated
ACH Batch Updated
A user has modified a batch

Each user's permissions must be modified by the company Administrator to receive alerts
1. Under **Manage Business**, select **Manage Users**.
2. Select a user. Then select **Set Permissions**
3. Enable Alerts for the user, then select which alert categories should be enabled.

Prenotifications

Prenotification entries, or Prenotes, are zero-dollar entries to the receiver's account. Prenotes are used by originators to verify the routing and account number information prior to sending a monetary transaction. Prenotes are a good way to avoid delay causing problems with the monetary transaction.

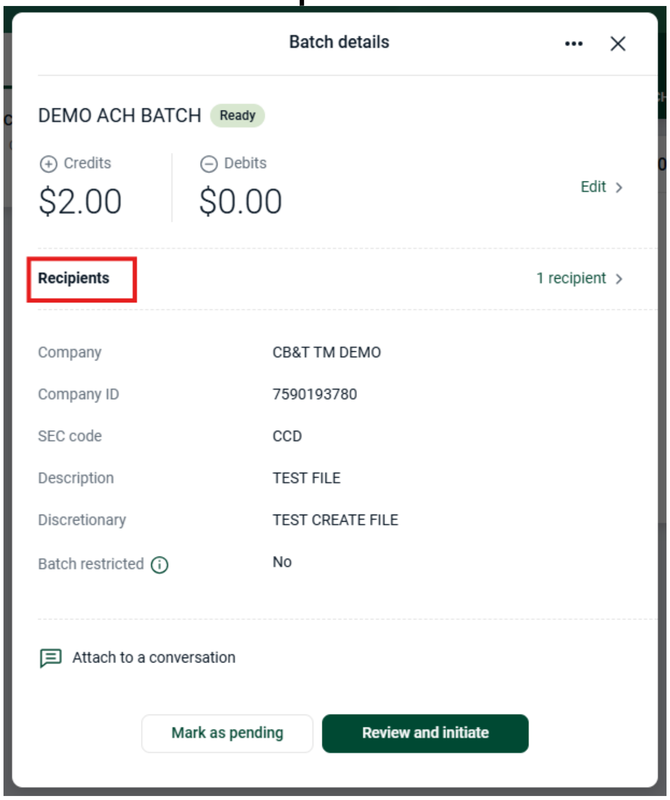
If there is an issue with the information in the Prenote, the receiving bank (RDFI) should return to the originating bank (ODFI), a Notification of Change entry that indicates the problems with the Prenote. This could be an incorrect account number, account closed, account not on file, etc. Citizens Bank & Trust Operations will notify your company ACH Contact via secure email when a Notification of Change is received for a transaction originated by your company. The transaction information can then be corrected.

Prenotes are only effective when enough time is allowed for the RDFI to respond if there are any issues. According to Nacha Rules, monetary transactions should not be originated until the third banking day after the settlement date of the Prenote. Standard practice is to initiate a Prenote six business days prior to the first monetary transaction being sent.

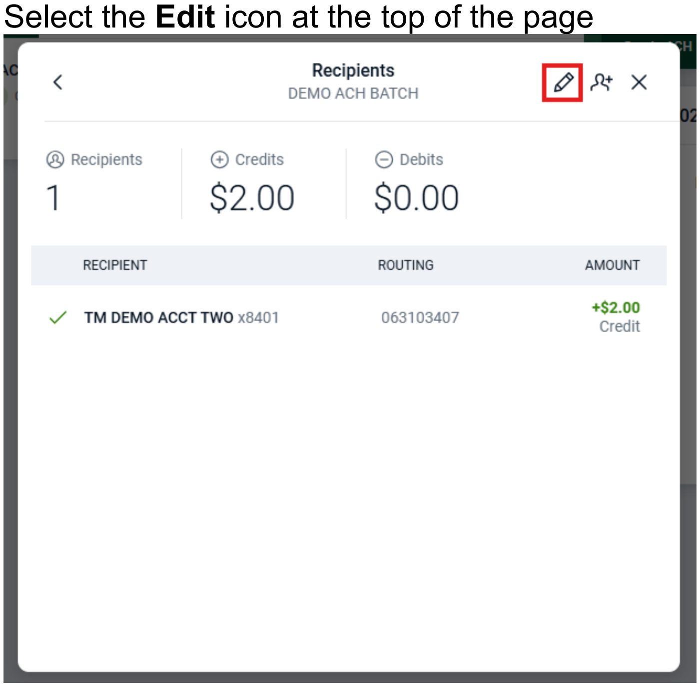
If you upload a Nacha formatted file, some account software can automatically include Prenote transactions anytime you add or modify transaction information. However, you can also send Prenote transactions through Manual Batch Entry.

Prenotes Using Manual Batch Entry

1. To add a Prenote to an existing ACH Batch, select the desired batch to view the batch details, and then select **Recipients**



2. Select the **Edit** icon at the top of the page

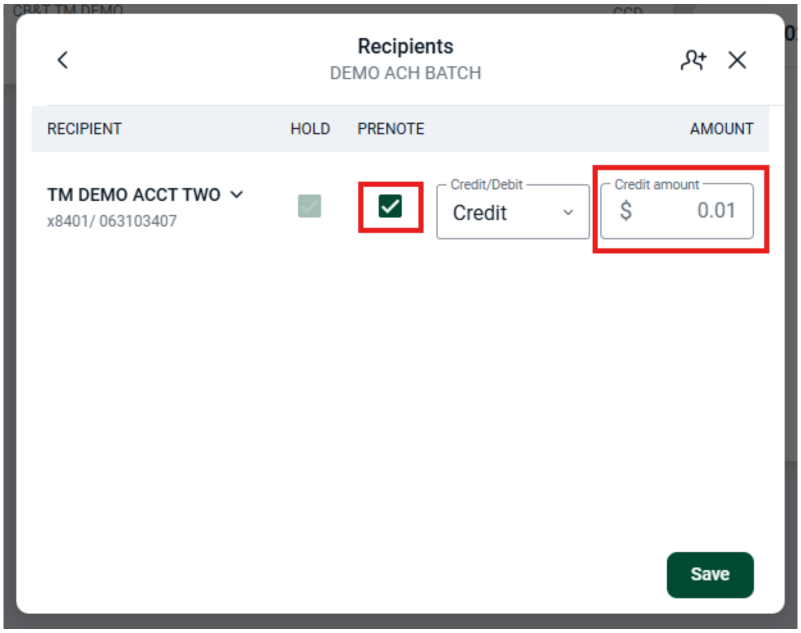


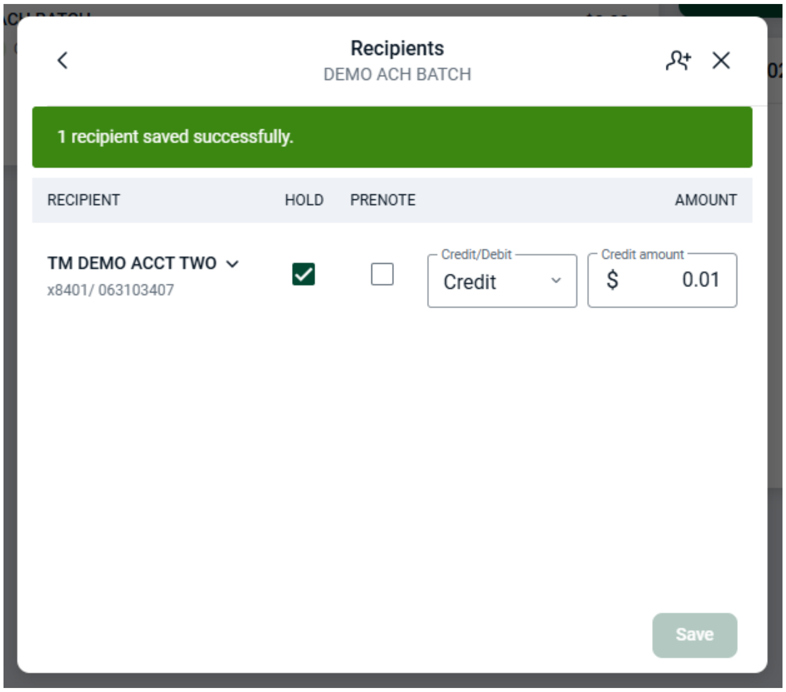
3. Modify the transaction information, with the following exceptions:

 Enter 0.01 for the amount (the system does not allow zero-dollar)
 Select the Prenote check box (the system will automatically select the Hold check box as well)

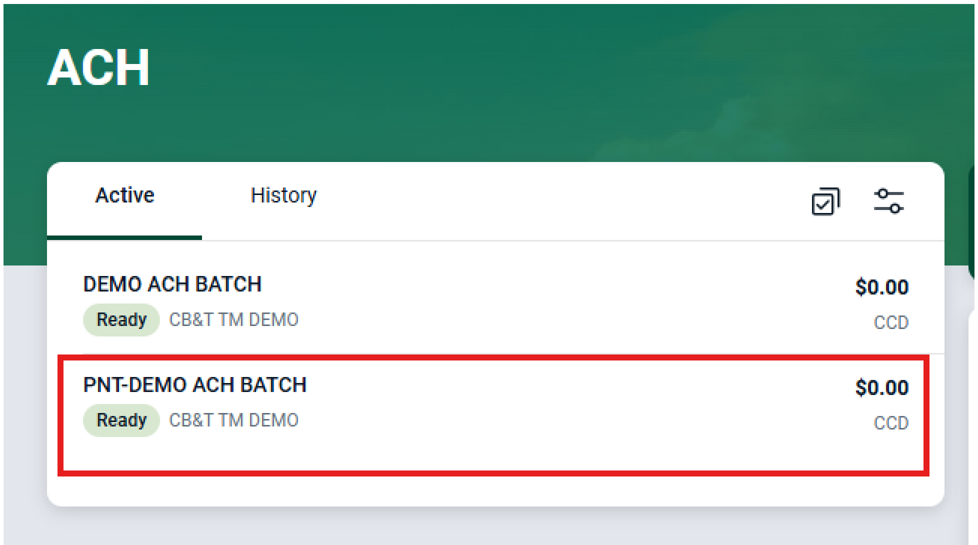
 By holding the transaction, it will not be included in the batch if the batch is initiated.

4. Select **Save**. The prenote transaction(s) have been added to the batch, but are not included in the totals.





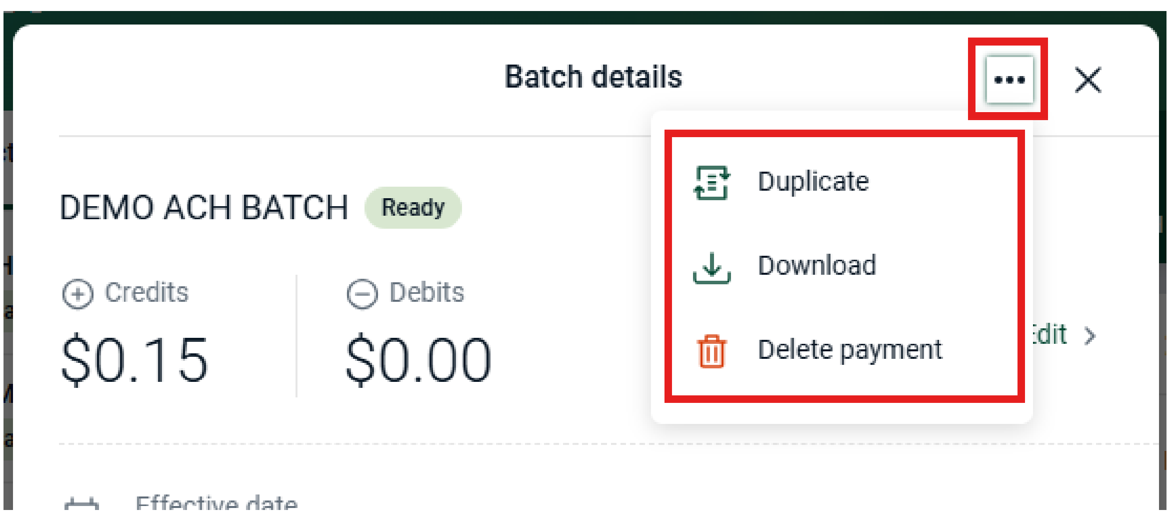
5. Close the pop-up window to return to the main **ACH** page
   A new batch appears with the Batch File Name beginning with PNT. This prefix indicates the prenote batch was created by the system. This batch can now be initiated.



Download, Duplicate or Delete a Batch

There may be a need to duplicate, download or delete an ACH batch.

__****IMPORTANT__ – Remember there is sensitive banking information contained in an ACH Batch. It is your responsibility as an originator to ensure that information is kept secure.****



Duplicate a Batch

1. To create a duplicate of a batch, select the **Duplicate** option from the batch details options menu. The Copy Batch window will appear:
2. Enter a name for the new batch and select the **Create batch** button. The new batch will now appear in your Active list.

Download a Batch

The download feature allows you to copy batch information into a PDF or Nacha formatted file.

1. To download a batch, select the batch to launch the Batch Details window, select the **options menu** icon in the top right corner, and then select **Download**. The Download Batch page will appear:
2. Use the dropdown list to select the download format.
   If the format is Acrobat (PDF), select the sort by field and sorting order, then select **Download**.
   If the format is NACHA, select **Download.**

The file will be downloaded and saved to your device’s downloads folder:

Note: The NACHA format will produce with a .ach extension. This is best viewed with an application such as Notepad.

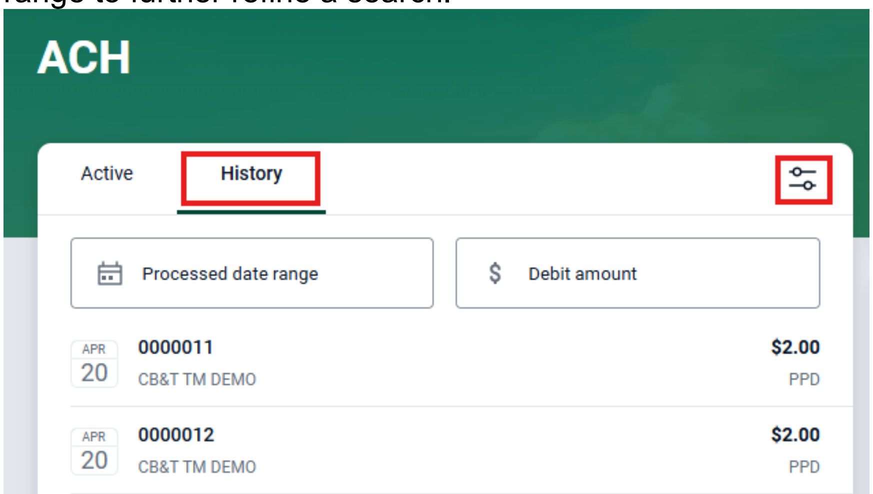
Delete a Batch

1. To delete a batch, select the **Delete Payment** option from the batch details options menu. A warning screen will appear.
2. Select the **Delete** button to delete the batch.

Viewing ACH History

ACH Batches can be viewed in the History tab once the batch has been originated by the bank.

1. Under ACH, select **History**
2. A list of originated ACH batches will display. The date range can be defined by selecting the filter icon at the top of the screen. The filter allows for entry of a date range and dollar amount range to further refine a search.

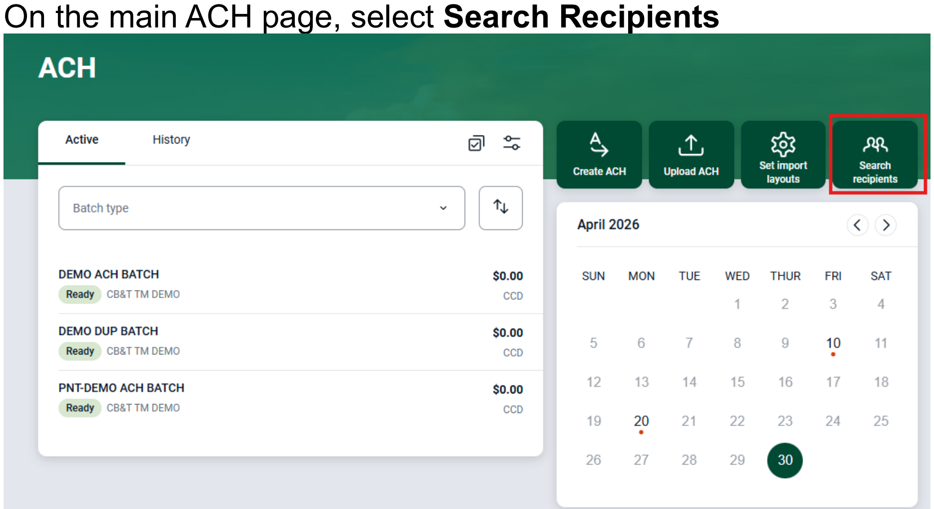


3. Select a batch to display the batch details.

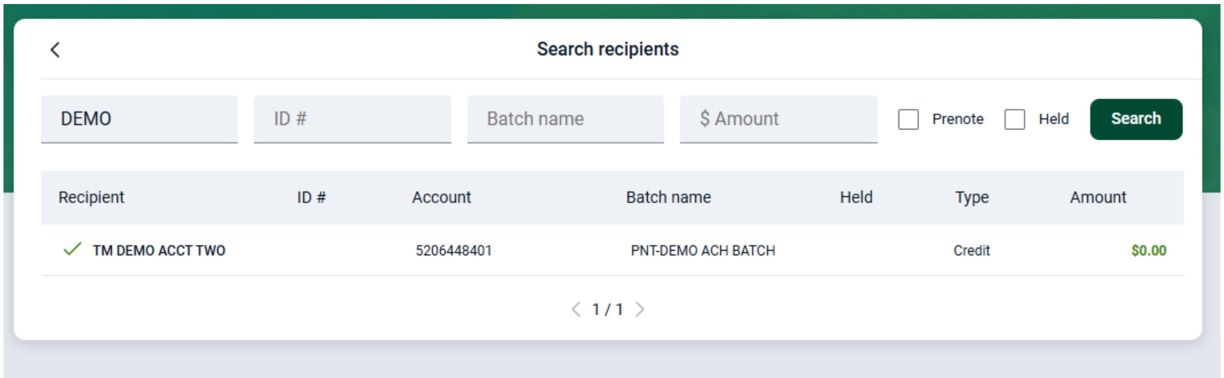
ACH Search

The Search Recipients option can be used to locate a specific transaction.

1. On the main ACH page, select **Search Recipients**



2. On the Search Recipients page, enter the desired search criteria and select the **Search** button. The search results will be displayed:



Note that you can Edit or Delete batches from this screen unless the batch is in an Initiated or Processed status. It must be returned back to a Ready status for Edit or Delete to be available.

ACH User Permissions

Full information regarding cash management for company administrators is available in the *Cash Management Online Banking Administrator Guide.* This document discusses only those options related to ACH origination processing.

When a company is setup for ACH Origination, Citizens Bank & Trust gives ACH permissions to the designated Company Administrator. The administrator is then responsible for providing ACH access to new or existing users.

Remember that it takes two users with proper permissions to initiate an ACH batch.

The ACH origination permissions are contained under the User's Permissions Settings:

ACH access must first be enabled for the user before the ACH permissions can be modified.

Daily ACH Limit
The maximum dollar amount of ACH transactions the user can initiate per day.

View ACH
Must be enabled to edit any other ACH permissions.

Initiate ACH
Allows the user to initiate/send an ACH batch to the bank for processing.

Full ACH Control

Use of this permission requires an additional agreement and approval from Citizens Bank & Trust. Please contact the bank for further information.

Initiate same day ACH

Not used.

Edit/Create ACH Control

Full edit/create: Allows the user to create and modify ACH batches.
Partial edit: Allows the user to edit, but not create ACH batches
None: Does not allow the user to edit or create ACH batches

Recurring ACH

Not used.

Upload ACH file

Allows the user to upload a Nacha formatted file.

Restricted Batch File Access

Allows the user to create and view restricted ACH batches.

Import Recipients

Allows the user to upload a fixed-position, CSV or tab-delimited file of transactions into a batch.

Batch Delete

Allows the user to remove an ACH batch.

Glossary of ACH Terms

ACH
Automated Clearing House network.

ACH Network
The funds transfer system governed by the rules of the National Automated Clearing House Association (Nacha) which provides inter-financial institutions clearing of electronic entries for participating financial institutions.

ACH Operator
The central clearing facility that receives entries from the Originating Depository Financial Institutions (ODFI), distributes the entries to Receiving Depository Financial Institutions (RDFI), and performs settlement functions. It provides services to DFIs on a local, regional or national basis. ACH Operators may be private companies or offices of a Federal Reserve Bank. The ACH Operator is responsible for processing electronic entries received from other ACH Operators or ODFIs. There are essentially two ACH Operators in the United States banking system – The Federal Reserve Bank and The Clearing House

Authorization
A written agreement signed by an employee or customer, or an authenticated electronic process, that allows the posting of debits or credits arising from ACH transactions to the employee's or customer's account.

Banking Day/Business Day
A calendar day other than a Saturday, Sunday, or Federal holiday. Any day on which the DFI is open to the public for carrying on substantially all its banking functions.

Credit Entries
An entry to the record of an account to represent the transfer or placement of funds into the account.

Debit Entries
An entry to the record of an account to represent the transfer or removal of funds from the account.

Direct Deposit
A deposit made to a consumer's account at a receiving depository institution through the ACH. Typically refers to payroll deposits, social security payments and pension payments.

Direct Payment
A charge to a receiver's account at the receiving depository financial institution through the ACH. Examples of direct payments include insurance, utility, mortgage, and car payments.

Effective Entry Date

The date the originating business or individual has requested that the entry posts to the receiver’s account.

Nacha

National Automated Clearing House Association. The national ACH association that establishes the standards, rules and procedures that enable financial institutions to exchange ACH payments on a national basis.

Notification of Change (NOC)

Information sent by a receiving institution informing an originating institution and the originating business of an error in the information necessary to handle the transaction electronically. The correct information is included along with the incorrect information to assist the originator in making the change. Notifications of change are commonly referred to as NOCs, however, the standard entry class code for these entries is COR.

Originating Depository Financial Institution (ODFI)

A participating financial institution that originates ACH entries. The entries may be originated internally or from an external source, such as a company.

Originator

Any individual, business, or other entity that initiates entries into the ACH.

Receiver

An individual, corporation, or other entity that has authorized a company or an originator to initiate a credit or debit entry to a transaction account held at a receiving financial institution.

Receiving Depository Financial Institution (RDFI)

The final destination of a transaction. The RDFI may receive entries directly from an ACH or may have their entries processed through a processing center or service bureau, which is the actual receiving point.

Return Entry

An entry that has been returned to the ODFI by the RDFI because it cannot be posted. The reason for the return is included with the return transaction in the form of a Return Reason Code.

Routing/Transit Number/ABA Number

A 9-digit number (8 digits and a check digit) that identifies a specific financial institution.

Standard Entry Class Code/SEC Code

A three-letter code that describes the nature of the transaction and has implications as to enforcement of certain parts of the Rules.

Transaction Code

Also known as a Tran code, this is the two digit code in the ACH record that determines whether an entry is a debit or a credit to a savings, DDA, general ledger, or loan account.