



August 2, 2024

Dear Customer:

As your business partner, when you originate electronic payments through the Automated Clearing House (ACH) Network, Provident Bank wants to ensure your continued compliance with the National Automated Clearing House Association's (Nacha) Operating Rules and Originator Responsibilities covering the payments you make. A summary of these Operating Rules and Originator Responsibilities, which are updated annually and contain Provident specific processes/restrictions, are included on pages 2 and 3 of this letter for your review. Please be advised that this list may not be all inclusive, depending on the type of payments you are making. Accordingly, you should review Nacha's Operating Rules for all pertinent originator obligations. *

In addition, and equally as important, is the role you and your Company plays in maintaining proper security over Protected Information obtained as an ACH payment originator. In the context of payment originations, Protected Information may be referred to as non-public personal information and is defined as the non-public personal information, including financial information, of a natural person used to create an entry, or contained within an entry, and any related addenda record. Due to the increased focus on privacy of data and the threats from data breaches and other unscrupulous activity, such as corporate account takeover, viruses, network intrusions, employee/email fraud, and hacking, originators must be vigilant in their efforts to protect the security of the Protected Information in their possession or control. Additionally, state, and federal regulations require all of us to protect Protected Information. As such, effective immediately, your Company is required to establish, implement, and update, as appropriate, policies, procedures, and systems (including controls) with respect to the initiation, processing, and storage of Protected Information that are designed to: (a) protect the confidentiality and integrity of Protected Information until its destruction; (b) protect against anticipated threats or hazards to the security or integrity of Protected Information until its destruction; and (c) protect against unauthorized use of Protected Information that could result in substantial harm to a natural person. Furthermore, it is a requirement of Provident Bank that all Protected Information is to be protected by its ACH originators/third parties. Your Company is responsible to ensure that your organization has existing policies, procedures, and systems in place that would enable it to comply with these requirements.

If you have any questions about your obligations under the Nacha Operating Rules and/or the security requirements for non-public personal information, please contact our Treasury Management Support Team at 732-590-9288 option 3, Monday through Friday 8:00 AM to 5:30 PM EST.

Thank you for your continued relationship with Provident Bank.

Sincerely,

Laura M. Burke

Laura M. Burke
Vice President
ACH Operations, AAP, APRP
Cash Management Operations

*See page 4 how to access the Nacha Operating Rules.

NATIONAL AUTOMATED CLEARING HOUSE ASSOCIATION (NACHA) COMPANY/ORIGINATOR RESPONSIBILITIES

Your Company understands and agrees to the following requirements as an Originator of ACH entries. The requirements listed below are not all inclusive. Your Company should consult Article Two of NACHA's Operating Rules for all pertinent Originator obligations and refer to Article Eight for definitions of terms used.

- Data Security. Your Company must establish, implement, and update, as appropriate, policies, procedures, and systems (including controls) with respect to the initiation, processing, and storage of Automated Clearing House (ACH) entries that are designed to: (a) protect the confidentiality and integrity of Protected Information until its destruction; (b) protect against anticipated threats or hazards to the security or integrity of Protected Information until its destruction; and (c) protect against unauthorized use of Protected Information that could result in substantial harm to a natural person or organization. Protected Information is defined as: the non-public personal information, including financial information, of a natural person used to create, or contained within, an Entry and any related Addenda Record.
- Authorizations. The Automated Clearing House (ACH) Network is a preauthorized payment system. Prior to initiating Direct Deposit credits or Direct Payment debits to consumer accounts, a written or similarly authenticated authorization must be obtained from the consumer. Your Company and any Third-Party Service Provider conducting ACH business for your Company agrees that it will not disclose a Receiver's account number or routing number to any third party for such third party's use, directly or indirectly, in initiating a separate debit Entry not covered by the original authorization. Provident Bank can provide you with sample authorization language, upon request. Your Company is obligated to retain a copy of the authorization for at least two years from the date the authorization is terminated or revoked by the consumer. You are required to give the consumer a copy of the authorization for his or her records. If Provident Bank requests a copy of an authorization, you are required to provide it. If you are initiating Corporate Payments, your corporate trading partners need to be notified in writing that electronic transfers will become the desired method of payment and you must obtain the Receiver's agreement to be bound by the NACHA Operating Rules. At the time of origination of each consumer and corporate ACH Entry, your Company warrants that each Entry is accurate, is timely, and has been authorized by the party whose account will be credited or debited.
- Accountability to ACH Payment Receivers. Your Company is responsible to its employees, consumers and other receivers of credit or debit transactions. The individual or company should be aware of the reason for ACH transactions being initiated to their account, whether for payroll, to collect a debt, or to make a payment to a vendor. Your Company must also state clear guidelines for terminating an electronic transaction. Failure to understand the nature of the product or service that is being sold could result in the return of an ACH transaction to your Company.
- Variable Debit Notice for Consumer Payments (Amount and Date). If the amount of a direct payment debit entry varies from the immediately preceding transfer relating to the same authorization or differs from a preauthorized amount, you must provide the consumer written notice of the amount and scheduled date of the transfer at least ten (10) calendar days before the scheduled transaction date. The consumer may agree in writing to receive notice only if the amount does not fall within a specified range. If the date on which a consumer account is to be debited changes, you must provide written notice to the Receiver of the new date at least seven calendar days before the first such debit Entry is scheduled. Saturdays, Sundays, and holidays are not considered to be changes in the scheduled dates.
- ACH Reversal Notice. Your Company is responsible to notify a receiver that a reversing entry has been sent to the receiver's account, including the reason for the reversal, no later than the settlement date of the reversing entry, as follows:
 - Consumer debit entries returned as "R05 Unauthorized Debit to Consumer Account Using Corporate SEC Code," "R07 Authorization Revoked by Customer," "R08 Payment Stopped," "R10 Customer Advises Not Authorized," and "R11 Customer Advises Entry Not In Accordance with the Terms of the Authorization," are not to be reinitiated unless subsequent written authorization is obtained by your Company, or a correction was made to the underlying error (R11).
- For all ACH Entries (excluding Returned Check Entries RCK), returned with Reason Codes "R01 Insufficient Funds" or "R09 Uncollected Funds", your Company may only reinitiate the original entry a maximum of two additional times.

- Unauthorized Return Transactions. Provident Bank tracks all unauthorized debit return transactions for your Company. If the rate of your unauthorized returns exceeds 0.5% for any ACH application (Standard Entry Class Code) in a sixty-day period, the Bank may contact you to discuss the reason for this occurrence and require you to implement procedures to immediately remedy the situation.

The Bank monitors all ACH return transactions. If your Company exceeds any of the following thresholds in a sixty-day period, the Bank may contact you to remedy the situation.

- ❖ Unauthorized debit returns (R05, R07, R10, R11, R29, R51): 0.5%
- ❖ Administrative returns (R02, R03, R04): 3%
- ❖ All debit returns (excludes Represented Check Entries): 15%

- Third-Party Sender. If your Company is a third-party sender, you are responsible to conduct an annual audit in compliance with the Nacha Operating Rules.

ADDITIONAL RULES AND RESPONSIBILITIES

The requirements enumerated below are specific to your Company's relationship with Provident Bank as an ACH originator:

- Company shall be bound by and comply with the Rules as in effect from time to time, including, without limitation, the provision making payment of an entry by the receiving depository financial institution to the receiver provisional until receipt by the receiving depository financial institution of final settlement for such Entry. Company specifically acknowledges that it has received notice of the rule regarding provisional payment and of the fact that, if such settlement is not received, the receiving depository financial institution shall be entitled to a refund from the receiver of the amount credited and Company shall not be deemed to have paid the Receiver the amount of the Entry. Company shall indemnify Provident Bank against any loss, liability or expense (including attorneys' fees and costs) resulting from or arising out of any breach of any of the foregoing representations or agreements, including any fines assessed against Provident Bank for a rules violation caused by the Company.
- Company shall comply with all relevant requirements under Regulation E including consumer error resolutions. Company acknowledges that it is responsible for returned entries, regardless of the reason for return and that Provident Bank has no responsibility to re-enter, collect or pursue payment of any returned entry.
- Any fines and/or liabilities imposed upon Provident Bank for rule violation(s) or regulatory non-compliance caused by an action/inaction of the Company may be assessed against the Company. If a fee is assessed for an unauthorized return entry or excessive volume of return entries, the Company is responsible to reimburse Provident Bank for such charge.
- Company must clearly identify itself to the receiver of an Automated Clearing House transaction (credit or debit) by using a "Company Name" that is recognizable to a receiver in the "Company Name"/"Originator Name" field of an ACH batch of transactions.
 - Company is required to use the proper ACH code to initiate transactions as outlined below.
 - PPD – Credit and debit transactions are destined for consumer accounts. The receiver of the transaction is an individual. A written or similarly authenticated preauthorization is obtained from the consumer.
 - CCD and CTX – Credit and debit transactions are destined for corporate accounts. The receiver of the transaction is a business/company.
 - WEB – Credit and debit transactions are destined for consumer accounts. The receiver of the transaction is an individual. The consumer authorizes a WEB debit via the internet or a mobile device. WEB credits are person-to-person (P2P) entries.

NOTE: All Originator responsibilities are contained within Article Two - starting with Section 2.3. It is important that you and your team members, who process payments, understand, and follow the requirements as an Originator of ACH transactions.

2024 Nacha Operating Rules Online User Instructions

Subscription access is available until late December 2024

IMPORTANT NOTICE TO ALL USERS:

Our 2024 Nacha Operating Rules & Guidelines are being hosted on a brand-new platform. Your previous login credentials (2023 and earlier) will no longer work. All users will need to register as a new user, creating a new username and password before accessing the 2024 content.

1 | NachaOperatingRulesOnline.org

Note: This online resource website is different from nacha.org and requires a separate user account to access. Google Chrome is the recommended browser. For Questions or Technical Assistance go to: nachaoperatingrulesonline.org [HELP](#) link located on the top right corner of the website.

2 | ALL USERS WITH A 2024 FULL ACCESS SUBSCRIPTION CODE

- Click **CLAIM YOUR SUBSCRIPTION** on the home page.
- Enter your email address and input the **FULL ACCESS SUBSCRIPTION CODE** (just as it appears including hyphens).
- Complete the new user registration form by entering the required details, and check the box to Agree to the Terms of Use, then click **REDEEM**.
- **NEW** - An email notification from digital@omnipress.com will be sent to the email address provided (Check spam filter if needed). The email notification will contain your **Temporary Password** which will be used to login along with your email address.
- Return to the Nacha Operating Rules Online Resource website to log into your new account using the email address provided and the **Temporary Password** to access the newly redeemed content. (Nacha recommends changing the temporary password on your account after initial login).
- To access the content, select the **Nacha Operating Rules & Guidelines** link on the main menu located on the home page.

3 | NEED ADDITIONAL FULL ACCESS SUBSCRIPTION CODES FOR YOUR TEAM?

Visit the Nacha.org/Store and select the 2024 Nacha Operating Rules Online Resource format to purchase the Full Access subscription code or contact your Payments Association. **Follow the steps** in the section above to successfully access the 2024 Nacha Operating Rules & Guidelines content.

Terms of Use

Subscription access to the Nacha Operating Rules Online website is based on a single username/password assigned to one individual. If any subscription and/or user account is found to be used by multiple users, the account/subscription access may be terminated.