

SECTION 3.6 Obligations of Originators of ARC Entries

SUBSECTION 3.6.1 Notice Obligation

Prior to the receipt of each source document that is used as the basis for the origination of an ARC entry, the Originator 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.”

The notice must be provided to the Receiver in a clear and conspicuous manner.

If the Originator has received notice in accordance with the reasonable procedures established by the Originator that the receipt of the check does not authorize an ACH debit entry, then receipt of a check by the Originator does not authorize an ACH debit entry to the account on which the check is drawn.

SUBSECTION 3.6.2 Source Documents

For an ARC entry, a check or sharedraft provided to the Originator by the Receiver via the U.S. mail or at a dropbox location must be used by the Originator as the source document for the Receiver's routing number, account number, check serial number, and dollar amount. To be used as the source document for an ARC entry, a check or sharedraft must (1) contain a pre-printed serial number, (2) be in an amount of \$25,000 or less, and (3) be completed and signed by the Receiver.

The following may not be used as the source document for ARC entries: (1) checks or sharedrafts that contain an Auxiliary On-Us Field in the MICR line, (2) third-party checks or sharedrafts, (3) remotely created checks, as defined by Regulation CC, and third-party drafts that do not contain the signature of the Receiver, (4) checks provided by a credit card issuer for purposes of accessing a credit account or checks drawn on home equity lines of credit; (5) checks drawn on an investment company as defined in the Investment Company Act of 1940, (6) obligations of a financial institution (e.g, travelers checks, cashier's checks, official checks, money orders, 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 3.6.3 Copy of Source Document

If the Originator has received notice in accordance with the reasonable procedures established by the Originator that the receipt of the check does not authorize an ACH debit entry, then receipt of a check by the Originator does not authorize an ACH debit entry to the account on which the check is drawn.

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SUBSECTION 3.6.3 Copy of Source Document

The Originator must retain a reproducible, legible image 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 the request of the ODFI, the Originator must provide a copy of the front of the source document to the ODFI for its use or for the use of an RDFI requesting such information pursuant to subsection 2.9.4.2 (Copy of Source Document).

SUBSECTION 3.6.4 Source Document May Not Be Presented for Payment

The source document to which the ARC entry relates may not be used by the Originator as a check to obtain payment unless the ARC entry is returned by the RDFI.

SUBSECTION 3.6.5 Secure Storage of Payment Information

The Originator must employ commercially reasonable methods to securely store (1) all source documents until destruction, and (2) all banking information relating to ARC entries.

SUBSECTION 3.6.6 Capture of MICR Information

The following may not be used as the source document for ARC entries: (1) checks or sharedrafts that contain an Auxiliary On-Us Field in the MICR line, (2) third-party checks or sharedrafts, (3) remotely created checks, as defined by Regulation CC, and third-party drafts that do not contain the signature of the Receiver, (4) checks provided by a credit card issuer for purposes of accessing a credit account or checks drawn on home equity lines of credit; (5) checks drawn on an investment company as defined in the Investment Company Act of 1940, (6) obligations of a financial institution (e.g, travelers checks, cashier's checks, official checks, money orders, 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.

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SUBSECTION 3.6.6 Capture of MICR Information

During initial processing of an ARC entry, 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. An Originator may, however, key-enter such information to correct errors relating to MICR misreads, misencoding, or processing rejects.