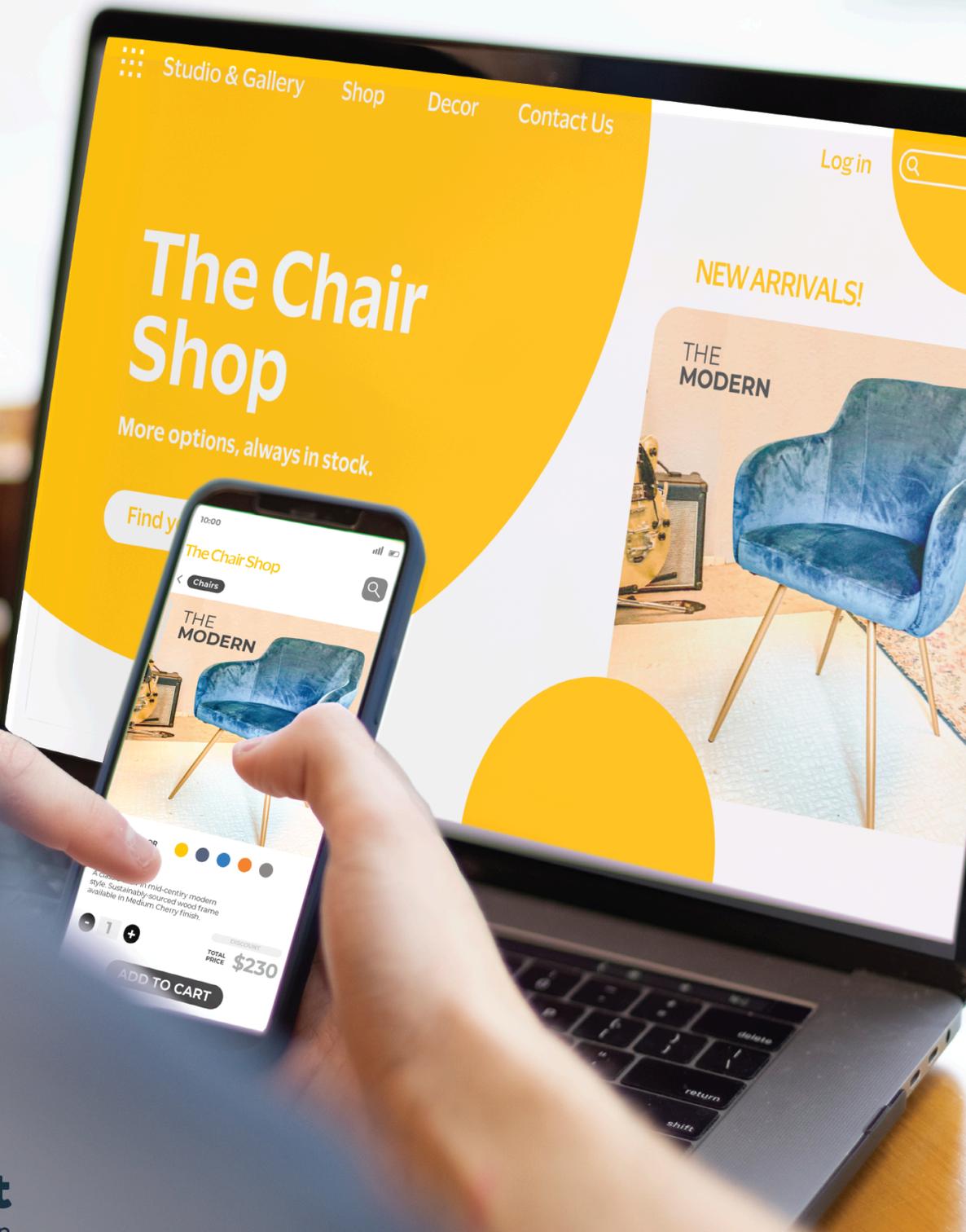


eCheck Compliance Guide



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Contents

- eCheck Operating Procedures and User Guide..... 4**
- Recent Revisions to This Document..... 5**
- Introduction..... 6**
- WEB - Internet-Initiated/Mobile Entry..... 7**
- PPD (Prearranged Payment and Deposit Entry) & CCD (Cash Concentration or Disbursement)..... 9**
- TEL - Telephone-Initiated Entry..... 11**
- ARC - Accounts Receivable Conversion..... 13**
- BOC - Back Office Conversion..... 16**
- Example of Auxiliary On-US Field..... 19**

eCheck Operating Procedures and User Guide

This section describes this guide and where to find further information.

Audience and Purpose

This guide is intended for merchants who want to process echecks with Authorize.net. It explains the procedures merchants must follow when processing echecks and how the eCheck product works.

Conventions

This statement appears in this document:



Important: An *Important* statement contains information essential to successfully completing a task or learning a concept.

Customer Support

For support information about any service, visit the Authorize.net Support Center:

<http://support.authorize.net>

Recent Revisions to This Document

25.10.1

Initial release.

Introduction

An education guide for merchants on eCheck compliance requirements to minimize losses and prevent potential returns.

Authorize.net is dedicated to supporting your business needs and works hard to deliver the highest quality products and services. To minimize your losses, you must maintain compliance to prevent potential returns. Staying in compliance helps you save time and money when the depository bank requests proof of authorization.

In this guide, we have provided you some examples on how to stay in compliance based on how you are processing. First, check your account status in the Merchant Interface to determine which transaction types you are approved for:

1. Log in to the Merchant Interface at <https://account.authorize.net>.
2. Choose **Account** from the main toolbar.
3. Choose **Merchant Profile** from the main menu on the left.
4. Under the Payment Methods section, next to eCheck, you see one or more of these eCheck transactions types in the Status column: WEB, PPD, CCD, TEL, ARC or BOC.

Review the examples in this guide for each transaction type to make sure you are in compliance with your processing type.

Contact us with any questions or concerns at 888-317-6935 option 2. You can also find more information by reading our eCheck Operating Procedures and User Guide found at <http://www.authorize.net/files/echecknetuserguide.pdf>.

WEB - Internet-Initiated/Mobile Entry

WEB is a charge transaction against a customer's personal checking or savings account that can be originated via the Internet or a mobile device.

Overview

WEB is a charge transaction against a customer's personal checking or savings account. One-time or recurring WEB transactions may be originated via the Internet or a mobile device on a wireless network.

WEB Authorization Requirements

For a WEB entry, authorization is obtained from the customer via the Internet or mobile device on a wireless network during the payment or checkout process by capturing a screen shot and retaining the information in a template for two years.

Implementation of payment authorization language is up to the merchant, as long as it complies with the authorization requirements stated below. Payment authorization language should appear on the same page that collects the customer bank account information.

The customer payment authorization must:

- Be capable of displaying on a computer screen or other visual display that permits the customer to read and print it
- Be readily identifiable as an authorization
- Clearly and conspicuously state its terms including the dollar amount, the effective date of the transfer and whether the authorization is for a one-time purchase or a recurring transaction
- For recurring WEB transactions, the merchant must also provide a notice that the customer can revoke the standing payment authorization by notifying the merchant as specified in the payment authorization (that is, calling a specific number or writing a specific address)

WEB Example

The merchant's payment form includes these customer payment information as provided by the customer.

Customer's Name (as it appears on bank account):	Bank Name:
Customer's Bank's ABA Routing Number:	

Bank Account Type:

(savings, personal checking) Bank Account
Number:

By clicking the button below, I authorize [merchant name] to charge my bank account starting on [month, day, year] and on the [day of the month] of each month following through [month, date year] for the amount of [\$\$X.XX] for [description of the transaction].

Authorize Payment



Note: Portions of the second paragraph are for recurring payments only and are optional if you are only authorizing a one-time charge.

PPD (Prearranged Payment and Deposit Entry) & CCD (Cash Concentration or Disbursement)

PPD is a charge or credit transaction initiated by a merchant against a customer's personal checking or savings account. CCD is a charge or credit transaction against a customer's business checking account.

Overview

PPD is a charge or credit transaction initiated by a merchant against a customer's personal checking or savings account. CCD is a charge or credit transaction against a customer's business checking account.

PPD and CCD Authorization Requirements

A written paper authorization/agreement filled out by the customer is required for one-time transactions and recurring charges. For recurring transactions the agreement must clearly state the terms of the recurring transaction and how to cancel the recurring payments. Payments cannot be processed until a filled out copy of the agreement is received from the customer. Copies of the written authorizations/agreements should be retained for two years.

In addition, a PPD transaction cannot be used for telephone-initiated or Internet-initiated transactions, or for converting a paper check into an electronic payment.

PPD and CCD Example

The sample form below can be modified with your company information and then copied and pasted onto your company letterhead.

Date:

(Option 1- for One-Time) I, _____, authorize [MERCHANT NAME] to charge my banking account listed below on [month, day, year] for the amount of \$____ for _____. [Description of the transaction]

(Option 2- for Recurring) I, _____, authorize [MERCHANT NAME] to charge my banking account listed below, starting on the [month, day, year] and on the [day of the month] for each month following through [month, day, year] for the amount of \$____ for _____. [Description of the transaction]

My account information is as follows:

Customer's Name (as it appears on Bank account):

Bank Name: _____

Bank Account Type: # Checking # Savings # Business Checking Bank ABA Routing Number: _____

Bank Account Number: _____

This payment authorization is valid and to remain in effect unless I, _____ notify [MERCHANT NAME] of its cancellation by sending written notice to (Merchant: Insert your mail to/ fax to/email to, or list your other preferred method).

Customer Name Printed

Customer Signature Date



Note: The third paragraph is for recurring charges only and is optional if you are only authorizing a one-time charge. Also, you do not need to require the customer to attach a voided check.

TEL - Telephone-Initiated Entry

TEL is a one-time or recurring charge transaction against a customer's personal checking or savings account that requires audio recording or written confirmation.

Overview

TEL is a one-time or recurring charge transaction against a customer's personal checking or savings account. TEL transactions may only be submitted against personal checking and savings accounts. The Originator/Merchant must either make an audio recording of the oral authorization or provide the Receiver with written notice confirming the oral authorization prior to the Settlement Date of the Entry.

TEL transactions may only be originated when a business relationship between the merchant and the customer already exists, or, if no relationship exists, only when the customer initiates the telephone call to the merchant.

TEL Authorization Requirements

A telephone call must be recorded and retained for a minimum of two years. The authorization must include:

- A clear statement that the customer is authorizing a charge to their bank account
- The terms of the authorization in a clear manner, including:
 - the customer's name
 - the date the authorization is given
 - the bank routing and account number
 - the date on or after which the customer's bank account will be charged (If recurring, the timing (including the start date), number of recurring charges, and/or frequency of the electronic fund transfers (weekly, monthly, etc.) and an end date.)
 - the amount of the transaction to be charged (If recurring, state the recurring amount also.)
 - a telephone number that is available to the customer and that is answered during normal business hours for customer inquiries and to cancel future recurring charges.

TEL Example

To confirm your order, I understand that you, [customer name] authorize [merchant name] to charge your [bank account type] on [month, day, year] for the amount of [\$X.XX] for [description of the transaction].

The account information you've provided me is as follows:

- Bank Name: [name of the customer's bank]
- Bank ABA Routing Number: [customer's bank's ABA routing number]
- Bank Account Type: [checking, business checking, savings]
- Bank Account Number: [the customer's bank account number]

Is this information correct?

As of today's date, [month, day, year], this payment authorization is valid and to remain in effect until you, [customer name], notify [merchant's name] of its cancellation by calling [merchant's customer service number]



Note: For an authorization relating to a single TEL Entry, the Originator/Merchant must either make an audio recording of the oral authorization or provide the Receiver/Customer with written notice confirming the oral authorization prior to the Settlement Date of the Entry.



Note: For an authorization relating to recurring TEL Entries, the Originator/Merchant must comply with the requirements of Regulation E for the authorization of preauthorized transfers, including the requirement to send a copy of the authorization to the Receiver.

ARC - Accounts Receivable Conversion

ARC is a single-entry debit against a customer's checking account that allows merchants to collect payments received in the mail or left in a drop-box and convert them to an electronic payment.

Overview

ARC is a single-entry debit against a customer checking account. ARC allows merchants to collect payments and convert them to an electronic payment later. Checks processed through ARC must be provided through either the US mail or delivery service, at a dropbox location, or in person for a payment of a bill at a manned location. Merchants do not return the check to the customer or present it to the bank for payment.

ARC Restrictions

Merchants must use a check reading device to capture the MICR line (routing number, account number and check serial number), but can key in the transaction amount manually. (MagTek® provides a variety of check reading devices. For more information, visit <http://www.magtek.com/>).

ARC transactions may only be submitted to the payment gateway through a batch upload transaction or through an Application Programming Interface (API).

Server Integration Method (SIM) merchants must use the batch upload feature of the Merchant Interface, while Advanced Integration Method (AIM) merchants can use an API to submit the required transaction information.

ARC Check Requirements

To submit an ARC entry, the check must:

- Contain a pre-printed serial number
- Not contain an Auxiliary On-Us Field in the MICR line (positioned to the left of the routing number or the external processing code)
- Be in the amount of \$25,000 or less
- Be completed and signed by the customer

Checks that may not be used for ARC entries include:

- Checks that contain an Auxiliary On-Us Field in the MICR line (see below for an example of a check that contains an Auxiliary On-Us Field)
- Checks in an amount greater than \$25,000
- Third-party checks
- Demand drafts and third-party drafts that do not contain the signature of the customer
- 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 Federal Home Loan Bank
- Checks drawn on a state or local government that are not payable through, or at, a participating Depository Financial Institution
- Checks payable in a medium other than U.S. currency

ARC Notice Requirements

Before accepting checks that will be used for ARC entries, merchants must provide their customers with a clear and readily understandable 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 in a clear and conspicuous manner, meaning it must be easily accessible to customers.

The following language, or substantially similar language, must also be included to ensure that customers understand that their checks are being converted to an electronic payment that will clear their account faster than standard electronic check processing.

"When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day you make your payment, and you will not receive your check back from your financial institution."

ARC Storage Requirements

Once the payment information is captured from the check, merchants must retain an image or copy of the face of the check for at least two years from the settlement date (the date the ARC entry posts to the customer's account) and destroy the original check. The face of the copy must state that it is a copy. The originator must employ commercially reasonable methods to securely store all source documents until destruction, and all banking information relating to ARC entries. Upon written request from the RDFI, merchants must provide a copy of the check, with "Copy" written on its face, at no charge and within 10 business days of receiving the request. The physical check may not be re-presented for payment.

ARC Authorization Requirements

If a merchant receives a customer's signed check after the merchant has posted the appropriate notices in a conspicuous location, they have the customer's authorization to process an ARC entry.

BOC - Back Office Conversion

BOC is a one-time charge transaction against a customer's checking account that allows merchants to collect a check written at a point of sale and convert it to an ACH debit during back office processing.

Overview

BOC is a one-time charge transaction against a customer checking account. BOC allows merchants to collect a check written at a point of sale (checkout counter, manned bill payment location, service call location) and convert it to an ACH debit during back office processing. Merchants do not return the check to the customer or present it to the bank for payment.

BOC Restrictions

The merchant must use a check reading device to capture the MICR line (routing number, account number and check serial number), but can key in the transaction amount manually. (MagTek® provides a variety of check reading devices. For more information, visit <http://www.magtek.com/>.)

BOC transactions may only be submitted to the payment gateway through a batch upload transaction or through an Application Programming Interface (API).



Note: Server Integration Method (SIM) merchants must use the batch upload feature of the Merchant Interface, while Advanced Integration Method (AIM) merchants can use an API to submit the required transaction information.

BOC Check Requirements

To submit a BOC entry, the check must:

- Contain a pre-printed serial number
- Not contain an Auxiliary On-Us Field in the MICR line (positioned to the left of the routing number)
- Be in an amount of \$25,000 or less
- Be completed and signed by the customer

Checks that may not be used for BOC entries include:

- Checks that have not been encoded in magnetic ink
- Checks that contain an Auxiliary On-Us Field in the MICR line (see below for an example of a check that contains an Auxiliary On-Us Field)
- Checks in an amount greater than \$25,000
- Third-party checks
- Demand drafts and third-party drafts that do not contain the signature of the customer
- 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., traveler's checks, cashier's checks, official checks, money orders, etc.)
- Checks drawn on the Treasury of the United States, 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 payable in a medium other than U.S. currency

BOC Notice Requirements

Before accepting a check that will be used for a BOC entry, merchants must provide the customer with a clear and readily understandable 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 inquiries, please call <customer service number>."

The notice must be posted in a prominent and conspicuous location at the point of purchase or manned bill payment location. A copy of the notice, or similar language, must also be provided to the customer on their receipt or other takeaway at the time of the transaction.

The following language, or substantially similar language, must also be included to ensure that customers understand their checks are being converted to an electronic payment that will clear their account faster than standard electronic check processing.

"When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day you make your payment, and you will not receive your check back from your financial institution."

The above language does not have to be included on the receipt or takeaway given to the customer. Both notices must include a working customer service telephone number that is answered during normal business hours for customer inquiries.

BOC Storage Requirements

Once the payment information is captured from the check, merchants must retain an image or copy of the face of the check for at least two years from the settlement date (the date the BOC entry posts to the customer's account) and destroy the original check. The face of the copy must state that it is a copy. Upon written request from the RDFI, merchants must provide a copy of the check, with "Copy" written on its face, at no charge and within 10 business days of receiving the request. The physical check may not be re-presented for payment.

BOC Authorization Requirements

If a merchant receives a customer's signed check after the merchant has posted the appropriate notices in a conspicuous location at the point of sale and on the customer's receipt or other takeaway, they have the customer's authorization to process a BOC entry.

Example of Auxiliary On-US Field

A comparison of a regular check with a check that contains an Auxiliary On-US Field in the MICR line.

Overview

These are comparisons of a regular check with a check that contains an Auxiliary On-US Field:

Checks that contain an Auxiliary On-US Field in the MICR line (positioned to the left of the routing number or the external processing code) cannot be used for ARC or BOC entries. This field appears as additional numbers or codes before the standard routing number in the MICR line at the bottom of the check.



Note: The presence of an Auxiliary On-US Field disqualifies a check from being processed as either an ARC (Accounts Receivable Conversion) or BOC (Back Office Conversion) transaction.