The National Automated Clearing House Association (NACHA) Rule Updates 2017

Each company originating ACH entries through Community Bank of the Bay (the "Bank") must comply with the NACHA Operating Rules as stated within the ACH agreement between the Bank and its ACH Corporate Customer (the "Customer"). The National Automated Clearing House Association (NACHA) is the rule making body governing the ACH network and therefore all participants of the ACH network must comply with these rules. On an annual basis, these Rules are updated with changes, amendments, additions, and deletions. Community Bank of the Bay will ensure that our employee are educated on those rules and make sure any necessary system changes to its daily process as a result of these changes. Below, we have included a brief summary of the upcoming changes to the 2017 Rules. This document is not intended to be a replacement or substitution for the NACHA Operating Rules & Guidelines. It is recommended that you purchase a copy of the updated NACHA Operating Rules & Guidelines by visiting http://www.nacha.org. You may also obtain free limited access to the basic NACHA Operating Rules in read-only format by visiting http://www.achrulesonline.org. — Instruction on how to register for the free basic NACHA Operating Rules are on page 3-4.

| New/Updated Rule | What does it mean? |
|---|---|
| Effective September 15, 2017 | |
| Same Day ACH – Phase II: Debit Originations | This Rule provides Originating Depository Financial Institutions (ODFIs) the option to allow their ACH clients to initiate Same-Day Settlement of domestic-only ACH entries that are less than \$25,000 through the ACH Network in a three-phased approach. Same Day Entry Fees will apply. Phase I – established in 09/23/2016 Effective September 23, 2016, this phase will involve Credit origination only, and the Receiving Depository Financial Institution (RDFI) must make the funds available to the Receiver's account by the end of the same business day. Phase II – coming up in 09/15/2017 Effective September 15, 2017, this phase will add Debit origination as an available Same-Day origination option. RDFIs must make the funds available to the Receiver's account by the end of the same business day. |



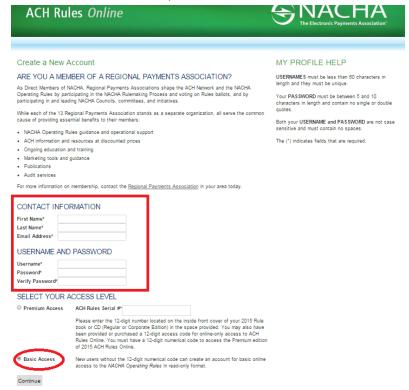
Effective March 16, 2018, this will require all RDFIs to provide funds available for all Same-Day ACH Entries received to the Receivers' accounts by 5:00 p.m. local time.

How to get a Free Basic NACHA Operating Rules Online

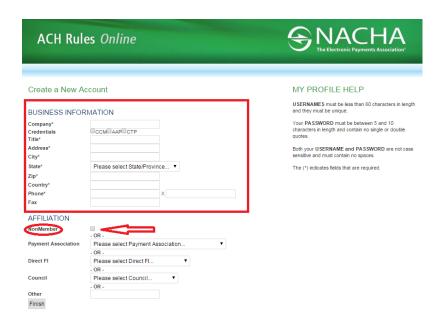
- 1. Go to www.achrulesonline.org
- 2. Go to "New Account" section and select "Basic User"



3. On the "Create a New Account" Page, provide your "contact Information" and create your "Username and Password", and choose "Basic Access" then Continue



4. Continue on the next page to provide your company/business information and select "NonMember" under Affiliation, then click "Finish"



5. Once register, you will have read-only access to the NACHA Operating Rules online.

