



Automated Clearing House Training

March 2025



What is Covered in this Training?

- Why Electronic Payments?
- Terms
- Automated Clearing House (ACH)
- Standard Entry Class Codes
- ACH Services offered by Peoples Bank
- As an Originator
- Fraud - Types of Cyberattacks
- Fraud Prevention (Daily Tasks & Tips)
- Returns and Notifications of Change
- NACHA Rule Violations
- ACH Limit Reviews
- Rule Changes
- Additional Information
- Security Actions



Why Electronic Payments?

Electronic payments are a smart business strategy.

Save Time and Increase Efficiency

- Direct Deposit helps you eliminate the manual, labor-intensive process of disbursing checks and improves the efficiency of your payment operations.

Improve Employee Benefits

- On average, employees paid by check spend between 8 and 24 hours each year going to the bank to deposit their paychecks.
- No delays accessing pay when the employee is out sick or on vacation.
- Less of a disaster recovery concern.

Reduce Costs

- Provides security – Issuing less checks to vendors and employees containing account information.
- Fewer reissued checks.
- Less accounting work – reconciliation is easier.
- Lower production and administrative costs, reduced distribution and delivery expenses.
- Control the deposit date.
- Elimination of delivery delays.
- Reduced costs can make up for the loss of check float.



Electronic Funds Transfer (EFT) is a generic name for Electronic Payments.

There are two forms of electronic payments.



ACH

- International or Domestic
- Settlement time is 1-2 days
- ACH payments may be revoked for up to 60 days
- NACHA Standards
- Example: Direct Deposit



Wires

- Domestic wires are generally same day
- International usually requires 5 days for settlement
- Both domestic and international are non-revocable payments
- Example: Real Estate Closings



Automated Clearing House (ACH)

ACH

- Electronic payments or credits completed in standardized formats that allow these banking transactions to be sent anywhere in the United States.

NACHA

- The National Automated Clearing House Association (NACHA) – The trade association for the electronic payment associations, which establishes the rules, industry standards, and procedures governing the exchange of commercial ACH Payments by depository financial institutions.

ACH Network

- Funds transfer system governed by NACHA rules, which provides the clearing of electronic entries for participating financial institutions.
- Virtually every major bank is affiliated with NACHA or works with a local clearinghouse.

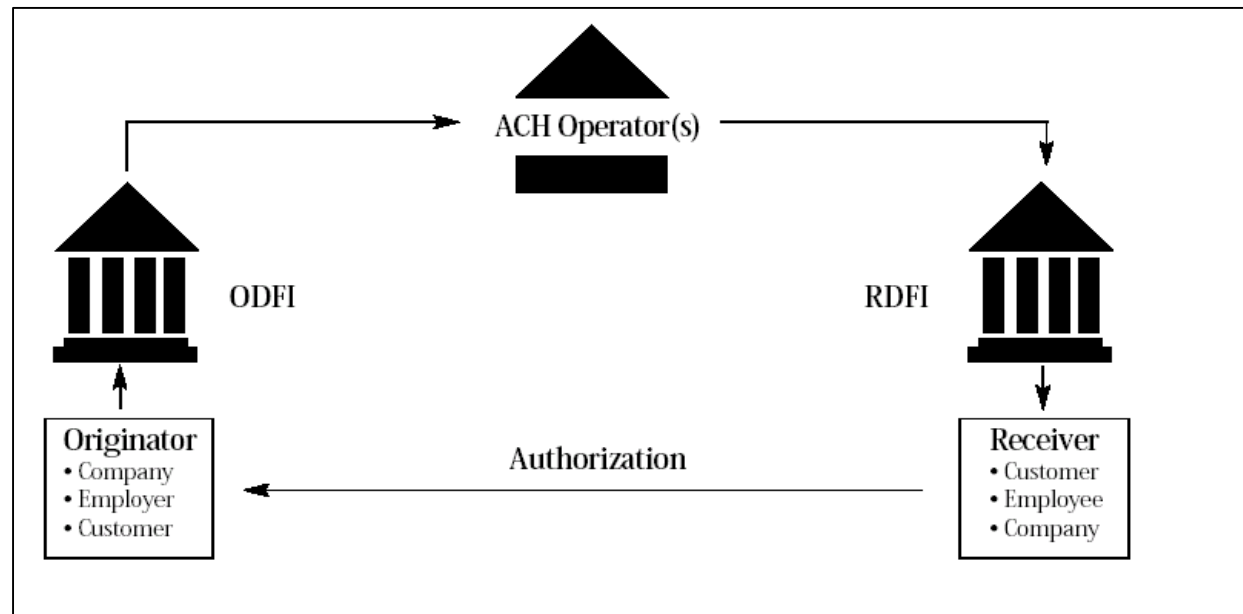
***NACHA manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data.**



ACH Network

Five Participants in ACH Process:

1. Originator company or individual
2. ODFI (Originating Depository Financial Institution)
3. ACH Operator (FED)
4. RDFI (Receiving Depository Financial Institution)
5. Receiver





Standard Entry Class (SEC) Codes

PPD Prearranged Payment and Deposit

- *Prearranged payment and deposits.* Used to credit or debit a consumer account. Primarily used for payroll direct deposits.
- Used for Payroll, Pensions, Electric Bill, etc.
- Allows for one Addenda Record.
- Written authorization required for debits and highly recommended for credits.

CCD Cash Concentration or Disbursement

- *Corporate credit or debit.* Primarily used for business-to-business transactions.
- Designed for simple electronic payments.
- An agreement must be in place between the originator and receiver.
- Can contain one addenda record.
- An addenda record contains additional remittance information for the preceding payment/collection record. When included this format is called the CCD plus.

CTX Corporate Trade Exchange

- Designed for companies with trading partnership or used when sending payments to the government (i.e. child support payments).
- Allows for 9,999 addenda records per ACH payment.
- Child Support payments are either CCD+ or CTX.

RCK Re-Presentation Check Entry

- Format is used to represent a returned check, through the generation of a single entry ACH debit. The RCK SEC allows for a single entry ACH debit transaction to re-present a paper check after the paper check has been returned for either insufficient or uncollected funds.
- Be in an amount up to and including \$2,500.
- Be dated less than 180 days from the date the entry is transmitted to the RDFI.

Addenda Records

- Optional, and they supply additional information about the Entry Detail Records or payment-related details.
- The addenda record detail is machine-readable (EDI-Electronic Data Interchange). Each addenda record can be up to 80 characters. If the addenda record exceeds 80 characters, the data will wrap to the next addenda record. This allows for 800,000 bytes of data for each ACH payment in the CTX format.



ACH Services Offered by Peoples Bank

ACH transactions are completed using Business Online Banking.

ACH Modules:

- Payroll (PPD)
- Payments (PPD/CCD/WEB)
- Collections (PPD/CCD/WEB)
- Uploads (PPD/CCD/WEB)
- Tax Payments (CCD)
- Same Day ACH (PPD/CCD)

ACH Payments Include:

- Direct Deposit of Payroll
- Social Security Benefits/Tax Refunds
- Direct Payment of Consumer Bills
- E-Checks
- Business-to-Business Payments
- Federal Tax Withholdings



ACH Services Offered by Peoples Bank Continued

All ACH Files must be drafted and approved no later than 5:00 pm Eastern Standard Time (EST).

- Daily 5:00 p.m. EST cutoff is required for files to be sent to the Federal Reserve.
- All Same Day ACH Files must be drafted and approved no later than 2:00 p.m. EST.
 - If a file is submitted after 2:00 p.m., it may not be posted as a same day file.



As an Originator

Each company must have a signed agreement (online banking/ACH contract).

- This agreement defines the parameters between the parties
- Establishes liabilities
- Binds the Originator to the NACHA Operating Rules
- Binds the Originator to applicable U.S. Laws



As an Originator

Originators must obtain authorizations from all Consumer Receivers.

- Obtain receiver routing number, account number, and type of account.
- Dated and signed or similarly authenticated.
- Credit entries may be authorized orally or in other non-written means.
- Debit entries must be authorized in writing or similarly authenticated.

Originators must have an agreement with all Corporate Receivers.

- Agreements vary depending on the complexity of the application.
- Obtain receiver routing number, account number, and type of account.
- Corporate ACH Originators must apply credit to a customer's account effective for the same day he/she receives credit for the transaction.



As an Originator

If you initiate recurring debit entries:

- If the debit amount varies, you must notify the consumer within 10 calendar days of the change.
- If the debit date varies, you must notify the consumer within 7 calendar days of the change.

ACH data should only be used for the original purposes intended.

- You should have proper authorization to debit, credit, etc.



As an Originator

NACHA Rule

If requested, the Originator's financial institution may be required to provide proof of authorization. The financial institution must provide the required information within 10 business days of receiving written request.

What This Means to You?

If requested, you will need to provide the requested information to the bank. If you do not provide the requested information, the return may be posted to your account.

When a **NOC** (Notification of Change) is received from the Federal Reserve, the online banking system will generate an alert/notice to the employees with ACH Reporting access. Once the notice is received, the account information should be updated prior to initiating future ACH transactions.



As an Originator

Prenotifications (also known as Prenotes)

- Zero-dollar entries submitted to verify the receiver's account information at the RDFI.
 - Optional, but highly recommended.
- A return or notice of correction may be issued if account information is invalid.
- Per NACHA, if a prenote has been initiated, a live dollar entry should not be submitted for 3 banking days after the prenote was issued.



As an Originator

Same Day ACH: This simply means some payments can process quicker, virtually the same business day.

- Originators do need to be enrolled in Same Day processing to originate Same Day ACH transactions.
- All Same Day ACH Files must be drafted and approved no later than 2:00 p.m. EST.
 - If a file is submitted after the cut-off, it may not be processed as a same day file.
 - The receiving bank has until 5:00 p.m. EST to post Same Day transactions.
- Pricing is higher than next-day ACH transactions.
 - Please speak with your Treasury Management Officer for pricing information.



As a Health Care Originator

If you are originating Health Care EFT's you should include:

- HCCLAIMPMT in the Company Entry Description Field of the Company/Batch Header Record for Health Care related Payments.
- Company Name Field in the Company/Batch Header Record so it can be recognized by the receiver.
- Populate the Payment Related Field of the Addenda Record with the appropriate data segments.
- Make sure you follow the formatting characters in the Payment Related Field of the Addenda Record.



As a Third-Party Originator

- Pertains to companies originating ACH transactions on behalf of another party.
- A separate online banking agreement is required to conduct these transactions.

Addendum Requirements

- Must disclose the company name the ACH transactions are being submitted for.
- Type of ACH transaction being completed.

Annual ACH audit required for transactions

- As third-party originators, you could be asked to provide your annual audit results.
- This is an audit your company completes, and you may be asked by the FI to provide a copy of the completed audit.
 - These results should include record retention, data security, and other related items.

Third Party Sender (TPS) Registration, effective since September 2017, requires financial institutions to register Third Party Sender relationships with NACHA.

- TPS should be aware that their financial institution may request information from them regarding clients they are processing ACH files on behalf.



Fraud - Types of Cyberattacks

- **Social Engineering Attacks:** Social engineering is the use of deception to manipulate individuals into sensitive information that may be used for fraudulent purposes, including getting the victim to take certain actions. Social engineering attacks can include impersonating a trusted individual or company, using pretexts to gain access to computer systems or exploiting human errors by creating a sense of urgency to perform a specific action, such as sending money to the attacker.
- **Phishing Attacks:** Phishing is a form of social engineering where attackers impersonate legitimate entities and individuals to trick victims into providing sensitive information such as login credentials or personal or company data. Phishing may also be used to trick victims into sending money to the attacker under the guise that it is a legitimate transaction.
- **Business Email Compromise (BEC):** BEC is a type of cybercrime where a scammer impersonates a trusted individual within a company, like a CEO or vendor, through email to trick employees into sending money or sensitive information to a fraudulent account, often by requesting urgent payments or changes to payment details, appearing highly credible to exploit the trust within the organization; essentially, it's a sophisticated phishing attack targeting specific individuals within a company to gain financial or sensitive data through seemingly legitimate emails.



Fraud - Types of Cyberattacks Continued

- **Smishing:** A type of phishing scam that involves using text messages to trick people into giving away personal information.
- **Account Takeover:** Criminals obtain login credentials for bank accounts through various means such as phishing, keylogging, or social engineering, and use them to initiate fraudulent ACH transfers.
- **Malware:** Scammers may use malware to gain access to a victim's bank account information and initiate unauthorized ACH transactions.

For more information on types of fraud, visit

[FTC - Cybersecurity Basics](#)



Fraud Prevention Daily Tasks and Tips (Online Banking)

Transactions

- Review all transactions for your company. This includes funds transfers, bill payments and ACH files.
- It is a good idea to monitor your accounts throughout the day to manage cash flow.
- Be cautious of unusual requests for ACH payments, especially if they come from unknown parties. Fraudsters may impersonate a known contact or vendor.

User Security

- Delete users who are no longer with the company or no longer need online access.
- Peoples Bank **highly recommends** dual control for ACH & Wire originated transactions.
- Use strong, unique passwords for your online accounts to prevent unauthorized access.
- Be cautious of emails or text messages that request your bank account information or payment via ACH transfer.

Additional Information

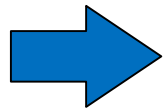
- We may contact you or someone at your company to confirm file/s are valid and should be processed.
- Educate yourself and your employees on fraud and what to look for. Learn about the latest fraud schemes and tactics used by scammers, such as fake invoicing, vendor impersonation, and account takeovers.

For more information, visit
[Talking Cybersecurity with your Employees](#)



Fraud Prevention Daily Tasks and Tips (ACH)

- Each originator needs to evaluate its current policies, procedures and systems to ensure the company identifies safeguards for protected information - non-public information including financial information of customers. Security policies, procedures and systems must:
 - Protect confidential information
 - Protect against threats or hazards
 - Protect against unauthorized use of protected information
- Originators should be willing and able to prove compliance to the financial institution.
- Keep up to date to current industry fraud trends and threats:
 - nacha.org
 - [Nacha Fraud Booklet](#)
 - [EPCOR Corporate User](#)
 - [FTC – Protecting Small Businesses](#)
- Speak to at TM Officer regarding our Positive Pay Fraud Prevention Services to help protect your accounts.
- If we offered you a commercially-reasonable security procedure which you reject, you agree that you are responsible for any payment order, whether authorized or not, that we accept in compliance with an alternative security procedure that you have selected. The Positive Pay service can help detect and prevent fraud and is appropriate for account holders that issue a high volume of checks, a lot of checks to the general public, or checks for large dollar amounts.





Returns and Notifications of Change

- You may receive an alert or view a report within online banking regarding Return or Notifications of Change (NOC) information.
- It is your responsibility to correct all incorrect information.
- Click on ACH Reports within online banking daily to monitor NOC's and Returns.
- If you do not make the necessary changes and we continue to contact you regarding the same NOC, you could be subject to fines or termination of ACH services by NACHA and/or Peoples Bank.
- Items returned for Unauthorized Consumer Entries
 - May be returned to the Originator within 60 days from settlement date.
- Items returned for Unauthorized Corporate Entries
 - Must be returned to the Originator within 24 hours of settlement date.
 - Keep in mind as a business you only have 24 hours to dispute an unauthorized debit to your business account.



Returns and Notifications of Change

Returns (please visit [NACHA.ORG](https://www.nacha.org) for additional resources)

Reasons items may be returned:

- Closed Account (R02)
- Insufficient Funds (R01)
- Stop Payment (R08)
- Non-participating RDFI (R30)
- No account/Unable to locate account (R03)
- Unauthorized (R05)

ACH Rule Books are available for purchase by visiting
<https://www.nacha.org/store>



Returns and Notifications of Change

Notifications of Change (NOC)

Reasons for Notifications of Change

- Incorrect Account Number (C01)
- Incorrect Transaction Code (C05)
 - Checking (22-Credit, 27-Debit)
 - Savings (32-Credit, 37-Debit)
- Incorrect Routing Number (C02)



It is your responsibility to make corrections within 6 banking days.

ACH Rule Books are available for purchase by visiting
<https://www.nacha.org/store>



NACHA Rule Violations

3 Classes of Rules Violations

Class 1 Violation fines

- First recurrence – Up to \$1,000.00
- Second recurrence – Up to \$2,500.00
- Third recurrence – Up to \$5,000.00

Class 2 Violation fines

- Up to \$100,000.00 per month until the issue is resolved.

Class 3 Violation fines

- Up to \$500,000.00 per month until the issue is resolved.

Impact of Rules Violation

- If you continue to disregard a Rules Violation, your ACH privileges may be suspended and/or your company could be banned from utilizing the ACH network.

[National System of Fines | NACHA](#)

- Visit [NACHA.ORG](https://www.nacha.org) for a complete listing.

ACH Rule Books are available for purchase by visiting
<https://www.nacha.org/store>



ACH Limit Reviews

Regulators require ACH limits and relationships to be reviewed annually.

- You may be required to provide financial data yearly to maintain your ACH access and limit.
- This includes Financial Statements and/or Tax Returns.
- We may require originators to process ACH transaction using prefunding. This means sufficient funds must be available in the originator's account at the time of ACH file submission, as the funds will be debited at the time the file is processed.

For your business' security:

- If you do not use the ACH services for 180 consecutive days, we may disable your access, and you may be required to start the approval process over from beginning.



Rule Change

Preparing for Updated ACH Payment Description Requirements

Starting March 20, 2026, ACH rules will mandate specific content within the "Company Entry Description" field. To maintain compliance, please note:

- PPD credits for wages/salaries must include "payroll."
- WEB debits for e-commerce/online retail purchases must include "purchase."

*We recommend reviewing and updating your payment systems in advance of this deadline.

Click below for additional information on the rule change.

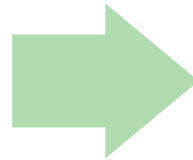
[NACHA Rule Changes](#)



Additional Information

- **Good practice for originators:** Make sure the agreement you have in place with your receivers and/or vendors includes the ability to allow you to make correcting entries if needed and this can prevent the use of reversals in some cases.

If you submit an incorrect or invalid ACH file and it needs to be reversed, there will be a \$100.00 ACH Reversal Fee imposed. The request must be received prior to 4:00 p.m. EST. Reversals need to be submitted within 5 banking days of settlement.



ACH Rule Books are available for purchase by visiting <https://www.nacha.org/store>



Security Actions

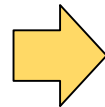
- Secure Access Codes are used as an additional security feature to authenticate and verify the legitimacy of an attempt to access online banking.
- Multi Factor Authentication (MFA) is an additional regulation that has been mandated by the FFIEC. Peoples Bank is using Secure Access Codes to comply to this regulation. If your business becomes a victim of fraud or data breach, what should you do?
 - Contact your local branch or Business Support at 800-374-6123, opt. 6, as soon as you find the breach or notice the fraudulent activity.
 - You only have a limited amount of time to recover lost funds. Once the funds have been released from Peoples Bank, we may not be able to retrieve them.
 - Discuss Positive Pay Fraud Protection Service with your Treasury Management Officer.
 - Peoples Bank offers Fraud Protection Insurance through the Peoples Bank Insurance division. To find out more about this program, please contact 800.283.3823.



Security Actions

Positive Pay is an effective tool designed to provide protection against check and ACH fraud.

- Positive Pay is a powerful deterrent of ACH and check fraud. We will compare your company's records for issued ACH and check payments (transmitted/uploaded file) with the ACH and checks that are presented for payment. If the pieces of information don't match, then an alert will be emailed, and you can decide to pay or return the item.
- To find out more about this service please contact your Treasury Management Officer.
- **Please review:** [Protect Your Organization From Current Fraud Threats | NACHA](#)



Take Action!

[Download NACHA Fraud Booklet](#)

[Visit \[nacha.org\]\(http://nacha.org\)](#)



Thank You!

If you have further questions, please contact your Treasury Management Officer.