

ACH

The expanded use of technology makes banking easier, but also brings new security risks. The following are suggested best practices to ensure effectiveness and security of ACH transactions.

AUTHORIZATION REQUIREMENTS FOR CONSUMER ENTRIES

Originator must obtain authorization for both consumer credit and debit entries and should ensure that the authorization is clear and readily understandable by the account holder/receiver.

- The authorization should clearly state account number and routing number (i.e. a copy of the account holder's check), and account type (demand deposit, savings).
- The consumer must date and either sign or similarly authenticate debit authorizations.
- A review of authorizations should be performed to make sure it meets the requirements of the NACHA Operating Rules.

AUTHORIZATION REQUIREMENTS FOR CORPORATE ENTRIES

As with consumer entries, the business Receiver (Company) must authorize all ACH credits and debits to its account.

- The Receiver of CCD (Corporate Credit and Debit), CTX (Corporate Trade Exchange) entries, and IAT (International ACH Transactions to a corporate customer account) must enter into an agreement with the Originator to which the Receiver has agreed to be bound by the Nacha Operating Rules.
- This agreement for credits and/or debits to the corporate customer account should be clear to the corporate customer as to what the credit/debit represents.

Unlike consumer entries, in general, the non-consumer receiver of a CCD, CTX or IAT entry must return entries no later than the opening of business on the second (2) banking day following the settlement date requiring prompt review of transactions to detect any unauthorized entries.

DOCUMENT RETENTION FOR AUTHORIZATIONS

The signed or similarly authenticated authorization must be retained by the Originator for a period of two years following the termination or revocation of the authorization.

- In the case of a paper authorization that has been signed by the consumer, the Originator must retain either the original or a copy of the signed authorization.
- This authorization may be obtained in an electronic format that (1) accurately reflects the information in the record, and (2) is capable of being accurately reproduced for later reference.

At the request of the Bank, Originator must provide the original, copy or other accurate Record of the Receiver's authorization.

INITIATE ACH ENTRIES UNDER DUAL CONTROL

Whenever possible, divide responsibilities among several employees. To prevent unauthorized ACH payments, separate the payments process where one employee will create/upload the ACH batch and another employee is responsible for approving batches.



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WHAT IS A NOTIFICATION OF CHANGE (NOC)?

A notification of change (NOC) occurs when the bank receiving the ACH entry notifies the bank sending the ACH entry that some portion of the information is incorrect. With NOCs, ACH transactions posted to the recipient's account but the information within the ACH entry need to be corrected to ensure future transactions are received will be processed. You will be notified of the NOC in your online banking.

WHAT HAPPENS IF AN ACH PAYMENT IS RETURNED?

When an ACH return is received, your account will receive credit back from the return entry and you will be notified of the return in your online banking.

RULE BOOK INFORMATION

NACHA rulebook and other resources are available for purchase on the NACHA website
<https://www.nacha.org/store>

