



NOTICE TO ACH ORIGATION CUSTOMERS

Every year, NACHA (National Automated Clearing House Association) publishes new rules that expand upon ACH services and/or requirements related to ACH entries. Applied Bank is committed to supporting your compliance with NACHA's Operating Rules and Originator Responsibilities for the transactions you originate through the Automated Clearing House (ACH) Network. All ACH Originators are solely responsible for compliance with the NACHA Rules. **It is recommended you purchase a copy of the updated NACHA Operating Rules and Guidelines on an annual basis** at www.nacha.org.

Nacha Operating Rules Updates

2025 Summary

Expanded Use of ODFI Request for Return/R06

Phase 2 - Effective April 1, 2025

- This rule expands the permissible uses of the Request for Return of an originated ACH transaction, allowing an Originating Depository Financial Institution (ODFI) to request a return from the Receiving Depository Financial Institution (RDFI) for any reason.
- This rule will also require the RDFI to respond to the ODFI for all requests received.
 - Whether the RDFI honors the ODFI's request to return the Entry, the RDFI must advise the ODFI of its decision or the status of the request within ten (10) banking days of receipt of the ODFI's request.

2026 Summary

Fraud Monitoring by Originators, TPSPs and ODFIs

Phase 1 - Effective March 20, 2026

- This rule amendment will require all ODFIs, and each non-Consumer Originator, Third-Party Service Provider, and Third-Party Sender with annual ACH origination volume of 6 million or greater in 2023, to establish and implement risk-based

processes and procedures reasonably intended to identify ACH Entries initiated due to fraud.

- The organization's processes and procedures must be reviewed at least annually.
- Implementation of fraud-detection processes and procedures will be required for organizations not currently performing fraud monitoring.

Phase 2 - Effective June 22, 2026

- This rule amendment will require all ODFIs, and each non-Consumer Originator, Third-Party Service Provider, and Third-Party Sender, regardless of ACH origination volume, to establish and implement risk-based processes and procedures reasonably intended to identify ACH Entries initiated due to fraud.
 - The organization's processes and procedures must be reviewed at least annually.
 - Implementation of fraud-detection processes and procedures will be required for all ACH organizations that are not currently performing fraud monitoring.

Company Entry Description

Phase 1 - Effective March 20, 2026

- This rule amendment will require the standardized use of two newly defined Company Entry Descriptions on specific ACH transactions: PAYROLL and PURCHASE.
- PAYROLL – For all PPD Credits for payment of wages, salaries, and similar types of compensation, the Company Entry Description field must contain the description PAYROLL.
- PURCHASE – For all e-commerce purchases, the Company Entry Description field must contain the description PURCHASE.
 - An e-commerce purchase is defined as a debit Entry authorized by a consumer Receiver for the online purchase of goods, including recurring purchases first authorized online. An e-commerce purchase must use the WEB debit SEC Code, except as permitted by the rule on Standing Authorization to use the PPD or TEL debit SEC Codes.

RDFI ACH Credit Monitoring

Phase 1 - Effective March 20, 2026

- This rule amendment will require RDFIs with an annual ACH receipt volume of 10 million or greater in 2023 to establish and implement risk-based processes and procedures designed to identify credit Entries initiated due to fraud.

Phase 2 - Effective June 22, 2026

- This rule will require all RDFIs regardless of ACH receipt volume, to establish and implement risk-based processes and procedures designed to identify credit Entries initiated due to fraud.

If you have questions about ACH Originating or any of our Commercial Banking products, please contact us at (888) 839-7952. Thank you for choosing Applied Bank for your banking needs!