ACH Origination Guidelines

ACH Transaction Information

Standard Entry Class (SEC) Codes

Standard Entry Class (SEC) Codes are used to determine which ACH application is being used. Each application has a unique SEC code which identifies:

- The nature of the transaction and whether it is single-entry or recurring.
- The ACH Rules governing the transaction, including the method for obtaining authorizations.
- The format to use to transmit the payment and payment-related information.

It is of the utmost importance to understand and know which SEC code to use for an ACH entry. The SEC Code defines the posting and return procedures, and as mentioned above, the method for obtaining authorizations.

Below are a few commonly used SEC Codes:

SEC Code	SEC Code Description	Use of Application
PPD	Prearranged Payment & Deposit	PPD is a debit or credit to a consumer's account. It can be a single-entry or standing order. Direct Deposit can be used to disburse funds to consumers such as payroll, reimbursements, and interest payments to name a few. Direct Payment can be used to collect funds from consumers' accounts for things such as utility payments, memberships, and loan payments to name a few.
CCD	Corporate Credit or Debit	CCD Entries can be debits or credits used to facilitate business-to-business (B2B) ACH payments. The CCD application provides a way for companies to disburse or consolidate funds quickly. It can also be used to transfer funds among companies in the payment of goods or services and can support a limited amount of payment information.
CTX	Corporate Trade Exchange	CTX provides a way to collect and disburse funds between companies. It is generally used by businesses paying one another for goods or services and can support a large amount of payment information.
TEL	Telephone-Initiated Entry	TEL provides businesses a way to initiate ACH debits to consumers' accounts for the purchase of goods and services. This is used when an oral authorization is obtained over the telephone. TEL can be set up for either single or recurring payments. A TEL entry may only be transmitted in circumstances in which (1) there is an existing relationship between the Originator and the consumer, or (2) there is not an existing relationship, but the consumer initiated the telephone call to the Originator.
WEB	Internet-Initiated/Mobile Entry	WEB provides businesses a way to initiate ACH debits to consumers' accounts for the purchase of goods or services. This is used when authorization is obtained over the Internet or Wireless Network. WEB can be set up for either single or recurring payments.

ACH Origination Guidelines
ACH Transaction Information

Note: If you are receiving account information, to debit a consumer's account over the Internet, Wireless Network, or verbally over the phone, but do not have access to the WEB and/or TEL SEC Code please reach out to your Treasury Management Officer for assistance.

Standard Company Entry Description
Effective March 20, 2026

Your company uses the Company Entry Description field to describe the purpose of the payment initiated. Currently, the ACH Rules determine what goes in this field in certain situations (i.e., RETRY PYMT if you are reinitiating a payment returned for insufficient funds).

This amendment requires companies initiating (1) PPD credits related to wages/salaries to input a description of "PAYROLL" in the Company Entry Description and (2) e-commerce/online retail purchases (WEB debits) to use "PURCHASE".

- **In preparation, your organization may need to update systems, policies, and procedures regarding Company Entry Descriptions.**

Authorization Requirements

SEC Code	Entry Type	Authorization Requirement
PPD	Debits	Written, signed, or Similarly Authenticated. *
PPD	Credits	Oral or non-written means (i.e., voided check) accepted.
CCD	Debits/Credits	Agreement is required for transfers between companies; written authorization is implied. Authorizations for ACH debits are frequently embodied in the agreements or contracts between business partners.
CTX	Debits/Credits	Agreement is required for transfers between companies; written authorization is implied. Authorizations for ACH debits are frequently embodied in the agreements or contracts between business partners.
TEL	Debits	For Single Entry, you must either record the Receiver's oral authorization or provide written notice to the consumer confirming the oral authorization, prior to settlement date. For Recurring Entries, you must record the Receiver's oral authorization and provide written notice to the consumer.
WEB	Debits	Similarly Authenticated authorization is required due to the nature of the Internet.*

*Written authorizations may be in accordance with the Electronic Signatures in Global and National Commerce (E-Sign) Act. Electronic signatures include but are not limited to, digital signatures and security codes.

ACH Origination Guidelines
ACH Transaction Information

Proof of Authorization

A Receiving Depository Financial Institution (RDFI) may request, in writing, proof of authorization for all entries. If a request is received, Simmons Bank must be able to provide proof of authorization to the RDFI within 10 banking days from the date of the request.

You as the ACH Originator must be able to provide Simmons Bank (ODFI) with the following:

- For consumer entries, your company must provide a copy of the authorization.
- For corporate entries, you are required to provide either a copy of the authorization or contact information, including a contact name and phone number or email address for inquiries.

Origination Fraud Monitoring

Phase 1 Effective March 20, 2026
Companies Originating 6M+ Transactions in 2023

Phase 2 Effective June 19, 2026
All Companies Regardless of Annual Origination Activity

Currently, the ACH Rules require companies initiating WEB debit transactions and micro-entries to use commercially reasonable means to identify and detect potential fraud. Nacha's Board of Directors has issued a policy statement "urging all participants to implement adequate controls and/or systems to detect and prevent fraud." However, a policy statement is not an enforceable rule. It is a strongly recommended practice that ACH participants should follow.

With this amendment, your company is required to establish and implement risk-based processes and procedures to identify entries suspected of being unauthorized or authorized under "false pretenses" (i.e., business email compromise, vendor impersonation, payroll impersonation, account takeover). Fraud monitoring is required regardless of the Standard Entry Class (SEC) code, or payment type, initiated and is intended to reduce the incidence of successful fraud attempts.

- **In preparation, your organization may need to update policies and risk-based procedures to identify fraudulent transactions.**

Retention of Authorizations

SEC Code	Entry Type	Retention Requirements
PPD	Debits/Credits	The originator must retain a copy of the Receiver's authorization for up to two (2) years from the termination or revocation of the authorization.
CCD & CTX	Debits/Credits	The agreement should contain authorization requirements.

TEL	Debits - Single Entry	The originator must retain a copy of the recording of the Receiver's oral authorization **or** a copy of the written notice for two (2) years from the date of the authorization.
TEL	Debits - Standing Order	The originator must retain a copy of the recording of the Receiver's oral authorization **or** a copy of the written notice for two (2) years from the termination or revocation of the standing order.
TEL	Debits - Recurring Entries	The originator must retain a copy of the recording of the Receiver's oral authorization **and** a copy of the written notice for two (2) years from the date of the authorization.
WEB	Debits	The originator must retain a copy of the authorization and a record of the authentication.

Standing Authorization/Subsequent Entry

Standing Authorization is an advance authorization of future Entries, given by the Receiver, to debit the Receiver's Consumer Account. Further action is required by the Receiver to initiate future entries.

A Subsequent Entry is an Entry initiated, by the Receiver in accordance with the terms of the Standing Authorization.

SEC Codes for Subsequent Entries:

Standing Authorization	Instruction by Receiver	SEC Code
Written Authorization	The receiver's instruction to debit was given over the Internet	PPD or WEB
	The receiver's instruction to debit was given over the Telephone	PPD or TEL
An authorization received over the Internet	The receiver's instruction to debit was given over the Internet	WEB
	The receiver's instruction to debit was given over the Telephone	WEB or TEL
Authorization received over the Telephone	The receiver's instruction to debit was given over the Internet	TEL or WEB
	The receiver's instruction to debit was given over the Telephone	TEL

ACH Returns

An ACH Return is an ACH entry that was unable to post to Receiver's account and was returned by the Receiving Depository Financial Institution (RDFI) for reasons defined below. The RDFI must return the entry in time for Simmons Bank (ODFI) to receive it, by the opening of business on the second banking day following the settlement date. Your company should receive the ACH return notices the same day they are received by the ODFI. These notices will describe the reason for the return. Note: There are some return reason codes that allow extended deadlines.

ACH Origination Guidelines
ACH Returns and Notices of Change (NOCs)

Below are some of the more common ACH Return Codes:

Return Code	Description of Return	Action by Originator
R01	Insufficient Funds	May originate a new ACH entry within 180 days of the Settlement Date of the original entry. Entry must contain the words "RETRY PYMT" (all Caps) in the Company Entry Description.
R02	Account Closed	Stop the origination of entries with the same invalid account information. Reach out to your customer/employee to obtain updated information. A **new** authorization must be obtained for debit originations.
R03	No Account/Unable to Locate Account	Stop the origination of entries with the same invalid account information. Reach out to your customer/employee to obtain updated information. A **new** authorization must be obtained for debit originations.
R04	Invalid Account Number	Stop the origination of entries with the same invalid account information. Reach out to your customer/employee to obtain updated information. A **new** authorization must be obtained for debit originations.
R07	Authorization Revoked	Stop the origination of entries unless a new authorization can be obtained. Disagreements should be handled OUTSIDE of the ACH Network.
R08	Payment Stopped	Stop the origination of entries until a new consumer authorization is obtained.
R09	Uncollected Funds	May originate a new ACH entry within 180 days of the Settlement Date of the original entry. Entry must contain the words "RETRY PYMT" (all Caps) in the Company Entry Description.
R10	Customer Advised Not Authorized	Stop the origination of entries unless a new authorization can be obtained. Disagreements should be handled OUTSIDE of the ACH Network.
R11	Customer Advises Entry Not in Accordance with Terms of the Authorization	May originate a new entry to correct the error. Corrected entry must be originated within 60 days of the original Settlement Date
R29	Corporate Customer Advises Not Authorized	Stop the origination of entries until a new authorization is obtained. If your authorization is valid, then your company may have recourse OUTSIDE of the ACH Network.

Monitoring ACH Return Activity

Simmons Bank monitors the ACH returns for debit transactions of its ACH Originators. The monitoring includes Unauthorized Returns, Administrative Returns, and Overall Returns that exceed the allowed thresholds established by NACHA.

Established thresholds are outlined below:

- Unauthorized Return Rate Threshold = 0.05%. Unauthorized Return Codes are:
  - R05, R07, R10 and R29
- Administrative Return Rate Threshold = 3.00%. Administrative Return Codes are:
  - R02, R03 & R04
- Overall Return Rate Threshold = 15.00%.

Overall returns apply to all debit entries that are returned for any reason.

You must stay within these established thresholds and act on any return notifications or notifications of change being delivered to you for entries originated.

ACH Notices of Change (NOCs)

An NOC is not a return but a zero-dollar transaction, sent by the RDFI, to notify you that the information used to originate the transaction is no longer valid. If the RDFI can recognize the intended account, it will post the entry to the Receiver's account and notify your company of any necessary changes. Many NOCs are the result of merger or consolidation at the RDFI, which requires changes to the Receiver's account information.

Below are some of the more common NOC Codes:

NOC Code	Description of NOC	Action by Originator
C01	The account number is incorrect or is formatted incorrectly	Change the Receiver's account number to the correct information.
C02	The routing number that was once valid must be changed	Change the Receiver's routing number to the correct information.
C03	The routing Number and Account Number are incorrect	Change the Receiver's routing number and account number to the correct information.
C05	Transaction Code is incorrect. Example: An entry was sent as a DDA transaction but is going to a Savings account, or vice versa.	Change the type of account.

Action on Notification of Change
Effective Date: June 21, 2024

If the account information your company receives from a payee (i.e., employee, customer, vendor) is correct, the payment will automatically be processed in the payee's account. If account information is incorrect, the payee's financial institution may manually process the payment and send and Notification of Change (NOC). A Notification of Change Report shows the information made in error with the corrected information and will be provided by the financial institution.

If your company sends recurring payments (i.e., daily, bi-weekly, monthly), you are required to update the incorrect information before processing the next payment or within six banking days of receiving the Notification of Change information.

If your company initiates a single or one-time payment to a payee's account, at your discretion, make the changes noted in the Notification of Change. Any type of one-time originated payment is covered under this amendment.

- **In preparation, your organization may need to update policies and procedures regarding Notification of Change Reports.**

Reversals

An erroneous entry or file can contain the wrong amount, is a duplicate of a previous file/transaction or was sent to an unintended party. The reversal of these entries must be transmitted within five (5) banking days from the Settlement Date of the erroneous or duplicate entry or file.

Note: This is an attempt to pull back funds and not a guarantee. There is a chance a reversal can be returned due to insufficient or uncollected funds.

As the Originator, you must make a reasonable attempt to notify the Receiver that a reversing entry has been sent to their account, with the reason for the reversal, no later than the Settlement Date of the reversing entry.

When the reversal is originated the word "REVERSAL" (in all Caps) must appear in the Company Entry Description field in the Company/Batch Header Record.

Improper use of a reversing entry would include:

- The Originator or Third-Party Sender failed to provide funding for the original entry.
- Initiating a reversing entry outside of the five (5) banking days of the settlement date.

Reversal reasons can include:

- Duplicate payment
- Incorrect payment recipient
- Incorrect payment amount
- Payment date earlier than intended (debit only)
- Payment date later than intended (credit only)

Retry/Reinitiate Return Entries

Containing below information Returned ACH Transactions can only be reinitiated only if:

- The item was returned as insufficient funds.
- The item was returned due to uncollected funds.
- The item is within 180 days after the settlement date of the original entry.
- The item has not been returned insufficient or uncollected more than two (2) times following the return of the original entry.
    - **Note: The Company Entry Description filed must contain the word "RETRY PMT" (all caps) and the contents of the Company Name, Company Identification, and the Amount fields of the reinitiated entry must be identical to the original entry.**

Before initiating the first debit or credit to a Receiver's account, an Originator may use one of the following methods to verify that the Recipient's account number is valid:

Prenotification Entries (Prenotes)

Prenotes are zero-dollar entries sent to a Receiver's account to verify the account number is a valid account at the Receiving Bank (RDFI). Prenotes do not validate ownership of the account. Typically, prenotes are only sent prior to transmitting the first credit or debit payment to the Receiver's account. A recent rule change removes the language limiting prenotes to this use. Therefore, your company may send prenotifications at its discretion.

After three (3) banking days of the Settlement Date of the prenote, provided the ODFI has not received a Return or Notification of Change (NOC), an Originator may initiate Entries to the Receiver's account.

If an NOC is received the Originator must make the correcting entries prior to initiating future Entries to the Receiver's account. If an ACH Return is received the Originator must reach out to the Receiver for updated account information.

- **Language limiting prenotes to this use has been removed. Your company may send prenotes as required by your financial institution or at your discretion.**

Micro-Entries:

a. May be credit or debits
b. May initiate one or more to a Receiver's account
c. Entries must be less than $1.00
d. One or more debit micro-entries may NOT exceed the total amount of credit micro-entries
    i. Whether originating debit or credit micro-entries settlement must occur at the same time.
b. The Company Name must be recognizable by the Receiver & the same (or similar) to that for future

The Company Entry Description field must contain "ACCTVERIFY" (all caps)

Note: If originating micro-entries, you must conduct commercially reasonable fraud detection by monitoring forward and return volumes.

For more information regarding the ACH Rules please visit [Nacha - Homepage | Nacha](#)