

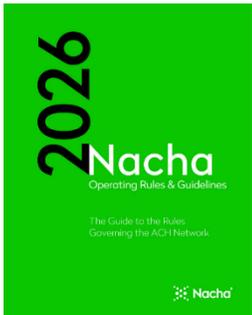
Q1 2026

craft bank

Payments Newsletter

For Treasury Customers

Protecting your Organization Through ACH Compliance



If your organization initiates ACH transactions, you are required to follow the NACHA Operating Rules.

These rules establish how ACH payments are authorized, processed, and monitored

across the network. Following them consistently helps protect your organization, our financial institution, and the broader payments system from fraud and operational risk.

A Reminder of ACH Originator Responsibilities

- **Proper Authorization:** Obtain and retain valid authorization for all ACH debits and credits.
- **Secure Transmission:** Protect banking information and limit system access to authorized personnel.
- **Accurate Formatting:** Ensure ACH entries are properly formatted, including required Standard Entry Class (SEC) codes and Company Entry Descriptions.
- **Ongoing Monitoring:** Promptly review returns and Notifications of Change (NOCs) and take corrective action when required.
- **Timely Response to Requests:** Address unauthorized returns and requests for information within required timeframes.

Our agreement outlines additional provisions and security procedures that are required by your organization. If you have questions about your ACH responsibilities or would like to review your current procedures, please feel to contact us.

“PAYROLL” and “PURCHASE” ACH Descriptions Effective on March 20, 2026

This is a final reminder that new ACH formatting requirements for Company Entry Descriptions take effect on March 20, 2026. Compliance is mandatory.

Required Company Entry Descriptions

PAYROLL

Required for all PPD credit entries related to wages, salaries, and similar compensation.

Applies to qualifying payments to contract (1099) workers when treated as compensation.

“PAYROLL” must appear in the Company Entry Description field (additional descriptive text may follow).

PURCHASE

Required for WEB debit entries and certain TEL debit entries under Standing Authorization for e-commerce transactions, including recurring online purchases.

“PURCHASE” must appear in the Company Entry Description field.

Below are sample files of company entry description requirements under the new Rules.

Payroll Example:

```
Sample ACH (Nacha) File Structure
1 01 123456789 987654321 260320 1200 A 094 101
  Bank Name          Company Name
5 200 Company Name    PAYROLL  1234567890 PPD 260320  112345678 0000001
6 22 123456789 0123456789 0000012500 Employee Name 012345678 0000001
8 200000001 12345678 0000000012500 1234567890 12345678 0000001
9 000001 000001 000000001 0012345678 0000000012500 0000000000000000

Record Types:
1 - File Header
5 - Batch Header (Company Entry Description shown as "PAYROLL")
6 - Entry Detail
8 - Batch Control
9 - File Control
```

Purchase Example:

```
Sample ACH (Nacha) File Structure – WEB Debit Example
1 01 123456789 987654321 260320 1200 A 094 101
  Bank Name          Company Name
5 200 Company Name    PURCHASE 1234567890 WEB 260320  112345678 0000001
6 27 123456789 0123456789 0000002500 Customer Name 012345678 0000001
8 200000001 12345678 0000000002500 1234567890 12345678 0000001
9 000001 000001 000000001 0012345678 0000000002500 0000000000000000

Record Type 5 (Batch Header) includes the required Company Entry Description: PURCHASE
```

Key Compliance Tips

Early adoption has been permitted; after the effective date, use is required.

While Receiving Depository Financial Institutions (RDFIs) are not required to take action based on these descriptors, standardized usage supports fraud monitoring and transaction transparency across the ACH Network.

ACH Fraud Monitoring Requirements

Nacha's new fraud monitoring requirements take effect in 2026 and will apply to non-consumer Originators, Third-Party Service Providers (TPSPs), and Third-Party Senders (TPSSs).

Depending on origination volume, compliance begins in either March or June 2026.

What's Changing?

- **Phase 1 (Effective March 20, 2026):** Applies to ODFIs and non-consumer Originators, TPSPs, and TPSs with 6 million or more ACH originations in 2023.
- **Phase 2 (Effective June 19, 2026):** Expands to all remaining non-consumer Originators, TPSPs, and TPSs.

What This Means for Your Organization

In practical terms, this means your organization should have reasonable procedures in place to help detect situations where a payment may have been sent because of fraud — particularly fraud involving **misrepresentation**.

Your approach does not need to be overly complex. The expectation is that your monitoring practices are appropriate for:

- The size of your organization
- The volume of ACH activity you originate
- The types of payments you send

These procedures should also be reviewed periodically (at least annually) to ensure they remain effective as your business evolves.

Common Fraud Scenarios

The updated rule places emphasis on payments initiated due to **false pretenses** — situations where someone is misled into sending funds.

Examples include:

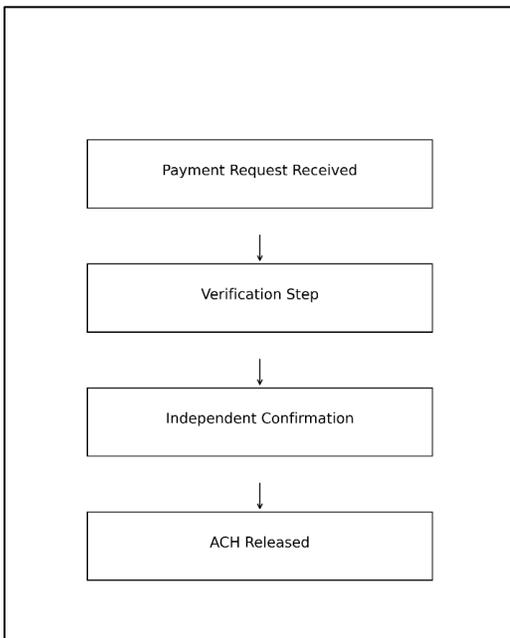
- **Business Email Compromise (BEC):** An email that appears to come from a trusted executive or vendor requesting an urgent payment or account change.
- **Vendor Impersonation:** A fraudster posing as a legitimate supplier and requesting updated payment instructions.

- **Payroll Impersonation:** An employee (or someone pretending to be one) asking to change direct deposit information.
- **Account Takeover:** Unauthorized access to online banking credentials used to initiate payments.

These types of fraud often rely on social engineering rather than system weaknesses. Having reasonable review and verification steps in place can significantly reduce risk.

The focus of the rule is to encourage awareness and practical monitoring, helping organizations recognize and respond to suspicious payment activity before losses occur.

A Simple Fraud Prevention Process Example



What Resources are Available?

We Can Help You!

We are available to answer questions and discuss how these requirements apply to your organization. Open communication helps ensure your processes remain aligned and effective. We will also be reaching out to ensure that your documentation is complete and reviewed at a minimum of annually.

Review Previous Newsletters

Prior editions included practical tips and examples related to fraud monitoring, internal controls, and ACH best practices. Revisiting those articles can provide helpful context and reminders.

Nacha Resource for Originators

Nacha has published guidance outlining practical steps Originators can take to reduce fraud risk and strengthen monitoring processes. You can access this information here: [Tips for Originators to Comply with the 2026 Risk Management Rules](#) , or here: [A Checklist Approach to Reduce Fraud in Payroll Origination](#).