

Bank Smart: Understanding ACH Origination to Streamline Your Business Payments

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Disclaimer

The views, content, best practices and examples shared in this presentation are for informational purposes and should not be considered legal advice.

Examples provided herein have been sourced from publicly documented research, news articles, and industry trends and are not necessarily based on specific Kennebec Savings Bank customers. Any resemblance or similarity is purely coincidental.

What is ACH?

How does ACH compare to other payment types?

How are KSB customers using ACH?

Feature demo of ACH origination

What are the responsibilities of an originator?

Upcoming changes to Nacha rules

Question & Answer Session

What is ACH?

As an acronym:

Automated Clearing House

In plain language:

An **electronic** payment

A way to **send funds to** or **collect funds from** receivers without paper documents (like checks) or high fees (like wires)

Payment “rail” governed by:

Nacha - **National ACH Association**

Payment Type Comparison

Payment Type	Delivery Speed	Convenience / Other Notes	Cost	Pay	Collect
Check	3-7+ Days	Low / High Fraud	\$\$		
Wire	Immediate / Same Day	Medium / Irrevocable	\$\$\$\$\$		
ACH	Same Day / Next Day	High / Partially revocable	\$		

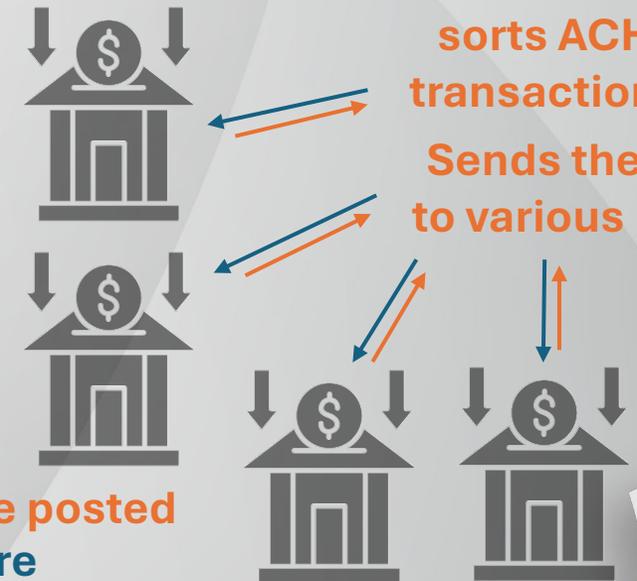
ACH Lifecycle



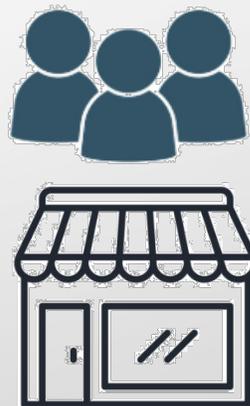
KSB receives and processes your ACH at 11am, 2pm, and 5pm each day. It can be Same Day or future dated (traditional). We review transactions for risk and send to the Fed.



**Receives and sorts ACH transactions
Sends them to various FIs**



Transactions are posted ... and returns are processed if necessary

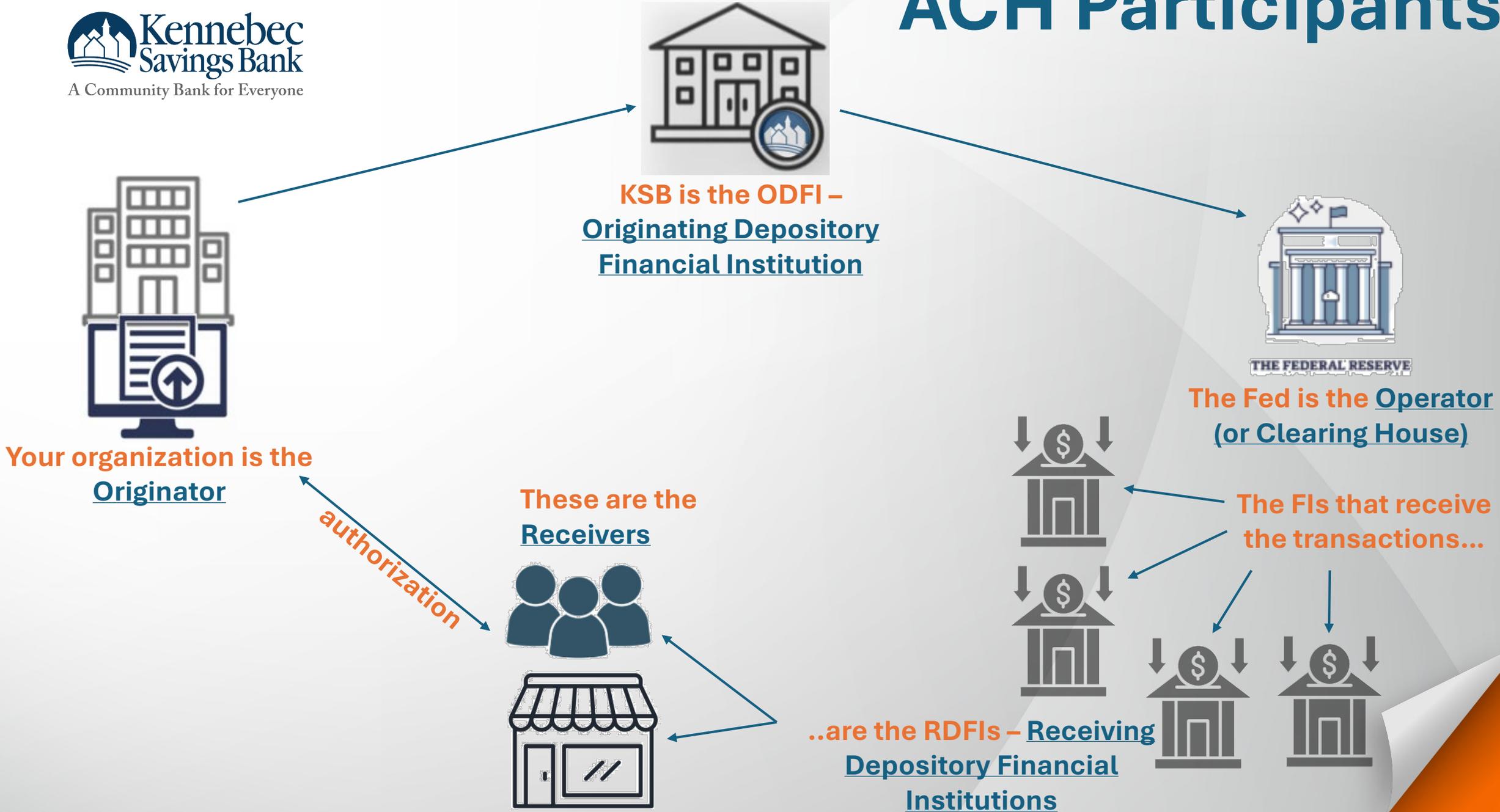


Your business agrees with a person or business to pay or collect from them electronically
You submit the ACH entry to KSB via online banking
You are notified of any returns to make corrections or arrangements



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You submit the ACH entry to KSB via online banking
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ACH Participants



ACH Example



You send your transactions to KSB. We receive and process them.



THE FEDERAL RESERVE

Receives and sorts the transactions. Sends them to Sally and Bob's financial institutions



You maintain properties in the winter. You need to pay your plow driver, Sally, and collect money from your customer, Bob.

You are notified and given funds back for Sally's payroll and have funds withdrawn for Bob's failed collection.



Transactions are posted Employee Sally closed her account. Customer Bob is overdrawn.





KSB Customer Origination

2025 Summary

~125 Businesses

Origination Summary

\$492,639,100.61

Origination Total

12,578

Batches

139,549

Entries

Batch Details

\$39,166.73

Average File

\$5,422,778.09

Largest File

\$0.00

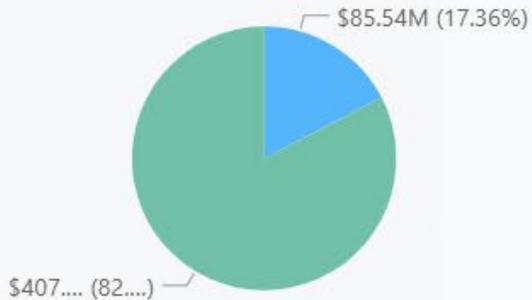
Smallest File

Originated ACH by Month



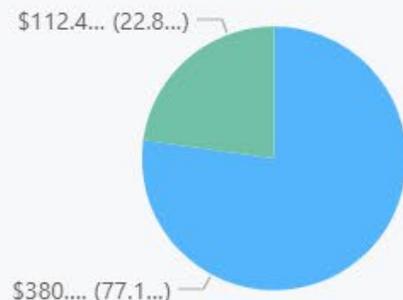
Traditional vs. Same Day

Type ● Same Day ● Traditional



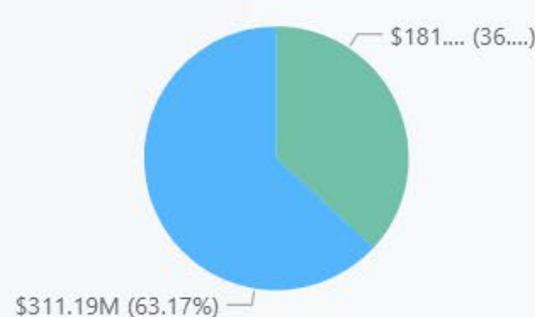
Business vs. Consumer

Type ● Business ● Consumer



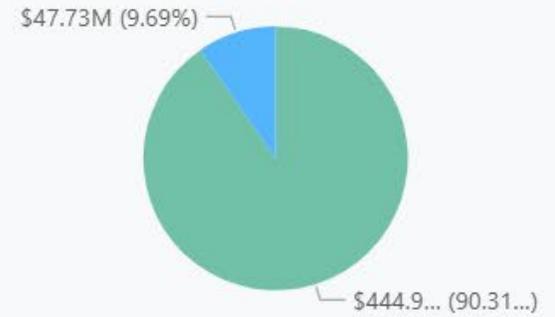
Credits vs. Debits

Type ● Credit ● Debit



Payment Destination

Type ● Another FI ● KSB



ACH Origination Uses

ACH Credits (Payments)

Payroll – direct deposit, expense reimbursement, bonuses

Accounts payable – vendor and supplier payments, refunds to customers, claim payouts

Cash concentration – moving funds between two unrelated entities or financial institutions

ACH Debits (Collections)

Collecting funds – direct debit for goods, services, or commitments made to you

Recurring billing – for donations, subscriptions, or memberships

Cash concentration – moving funds between two unrelated entities or financial institutions

Feature Demo

Q&A

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Originator Responsibilities

Legitimacy: Authorizations

Get 'em. Keep 'em. Honor 'em.

Accuracy: Returns and NOCs

Monitor 'em. Respond to 'em. Be timely.

Company ID	Company Name	Individual ID	Individual Name	Transaction Code	Return Code	Change Code
▼ 0101010101	Mobile Banking LLC	6469	Fred Flintstone	21		C02
Account #: xxxx8888			SEC Code: COR		Trace #: 21127445328	
Original RDFI ID: 211274450			Change Code: Incorrect Routing Number		Original Entry Trace #: 11274420148	
Transaction ID: 5809510			Original Effective Date: 2025-12-29		File ID: 389633	
Company Entry Description: WEB					Corrected Data: 011103093	
▼ 0101010101	Mobile Banking LLC		Slate Rock and Gravel Co	21		R02
Account #: xxxx9999			SEC Code: CCD		Trace #: 04300026293	
Original RDFI ID: 043000261			Return Reason: Account Closed		Original Entry Trace #: 112744201147	
Transaction ID: 5455825			Original Effective Date: 2025-11-05		File ID: 368763	
Company Entry Description: WEB					Amount: \$6,394.00	

Originator Responsibilities

Legitimacy: Authorizations

Get 'em. Keep 'em. Honor 'em.

Accuracy: Returns and NOCs

Monitor 'em. Respond to 'em. Be timely.

Compliance:

Laws, Rules, Agreement with KSB

Know 'em. Consult 'em. Abide by 'em.



Nacha Rule Change #1

Effective: March 20, 2026

“Payroll” must be used as the company entry description for employee compensation of any kind.
“Purchase” must be used when debiting customers for purchases made online.

Quick ACH Submission

Send ACH without creating ACH template. It's used for a one time payment to one payee.

Transaction

Offset Account ⓘ

Payment Company

Select Company Name

Transaction Type

Entry Description

e.g. Payroll, Purchase 10

Access Level

Normal (All users with ACH permissions can access)

Restricted (Only users with Restricted permissions can access)

Amount & Delivery

Amount

Deliver By

Bank Smart Webinar Test

1 payee - Consumer Payments - PPD, Credits

Offset Account

Roberto's Test Account ****0003

Details

Payees

Make a copy

TEMPLATE NAME

Bank Smart Webinar Test

COMPANY NAME

Mobile Banking LLC

TRANSACTION TYPE

Consumer Payments - PPD, Credits - Single

COMPANY ENTRY DESCRIPTION ⓘ

test

OFFSET ACCOUNT ⓘ

Roberto's Test Account ****0003

ACCESS LEVEL ⓘ

Normal

Nacha Rule Change #2

Effective: June 19, 2026

Originators must have established, implemented and documented fraud prevention policies and procedures that are reasonably intended to identify ACH entries initiated due to fraud, including unauthorized transactions and those authorized under false pretenses. Originators must be able to provide these upon request, review them annually and adjust or update them as necessary.

- ✓ Implement and document strong control requirements for your online users:
 - ✓ Dual control
 - ✓ MFA on logins
- ✓ Document what you're already doing today to review Bank accounts and activity
- ✓ Write the rules for your team regarding:
 - ✓ Verifying new or updated payee information
 - ✓ Adding or changing payee information
- ✓ Set guidelines for reviewing account signers, users, returns and NOCs

Originator Responsibilities

Protect Yourself:

Secure 'em. Verify 'em. Control 'em.

Banking Security Checklist:

Included with annual reviews and attached with this Bank Smart webinar's materials

Best Practices – Banking Security

Safeguarding your accounts is a top priority for Kennebec Savings Bank. We assign unique usernames and passwords, provide security tokens and multi-factor authentication (MFA) options, establish limits for Automated Clearing House (ACH), Remote Deposit Capture and Wire transactions, and monitor for suspicious login and file activity to help protect you and your data. However, despite our best efforts, we cannot control what is most often the initial point of compromise – the computer you use and the staff who process your transactions.

Review the checklists below and implement best practices to strengthen your security posture. You can also visit the resources on Kennebec Savings Bank's website for more tips and information at www.KennebecSavingsBank/Security

Prepare Yourself and Your Team

- Attend regular security training from consultants, vendors, and Kennebec Savings Bank on topics like strong passwords, MFA, and avoiding scams.
- Promote a culture of verification by ensuring employees understand their role in preventing fraud and rewarding those who question or report suspicious activity.
- Establish internal procedures and controls. A few "must have" guidelines include:
 - Acceptable use of work devices: define who can install software, etc. Limit computer use to work-related activities. Avoid personal email use on business-owned devices.
 - Authorities and limits with dual control and signoffs, especially with transaction processing.
 - Expectations to verify payment requests by confirming instructions verbally with a known contact, especially for email requests.
- Never share or reuse passwords; use secure password management tools to track multiple logins.
- Review, update, and retrain on procedures annually and anytime there is a change in staff.
- Consider adjustments to policies and procedures for remote workforce, such as limiting access to financial systems to in-office employees.

Protect Your Systems & Exercise Caution with Email

- Assess the measures you have in place to safeguard against unauthorized access to the computers used for online banking activities.
- Verify every email's authenticity: avoid unknown links or attachments, be cautious with unknown senders, and strengthen anti-spam tools if needed.
- Install and update software, firewall, malware and antivirus protection on your systems.

- If possible, avoid accessing financial services websites on open Wi-Fi networks.

Protect Your Account Information

- Review account activity daily and immediately report unauthorized transactions as there are limited timeframes for recovering funds. Leverage reporting and alerts from online banking and Positive Pay services.
- Restrict online access to authorized personnel. Segregate responsibilities among different employees for payment, approval, deposit, and reconciliation activities whenever possible.
- Review key employee access regularly and notify Kennebec Savings Bank promptly of any changes to online account access.
- Store check stock, signature stamps, monthly statements, online banking tokens and other account-sensitive items securely and with access control.

Use Your Resources

- Contact Kennebec Savings Bank ASAP if you have concerns regarding your accounts or online banking access. We can assist you with navigating challenges, disabling access, and updating signers.
- Obtain insurance to protect you against fraud losses.
- Bookmark and reference key industry resources for training, education and reporting incidents:
 - FBI Scams & Safety: www.fbi.gov/scams-and-safety
 - FBI's Internet Crime Complaint Center: www.ic3.gov
 - Financial Crimes Enforcement Network: www.fincen.gov
 - Your local payments association (NEACH): www.neach.org

The Devil is in Your Details

“... authorized under false pretenses”



The Devil is in Your Email

“... authorized under false pretenses”



Alert Number: I-091124-PSA
September 11, 2024

Business Email Compromise: The \$55 Billion Scam

This Public Service Announcement is an update and companion piece to Business Email Compromise PSA [I-060923-PSA](#) posted on www.ic3.gov. This PSA includes new IC3 complaint information and updated statistics from October 2013 to December 2023.

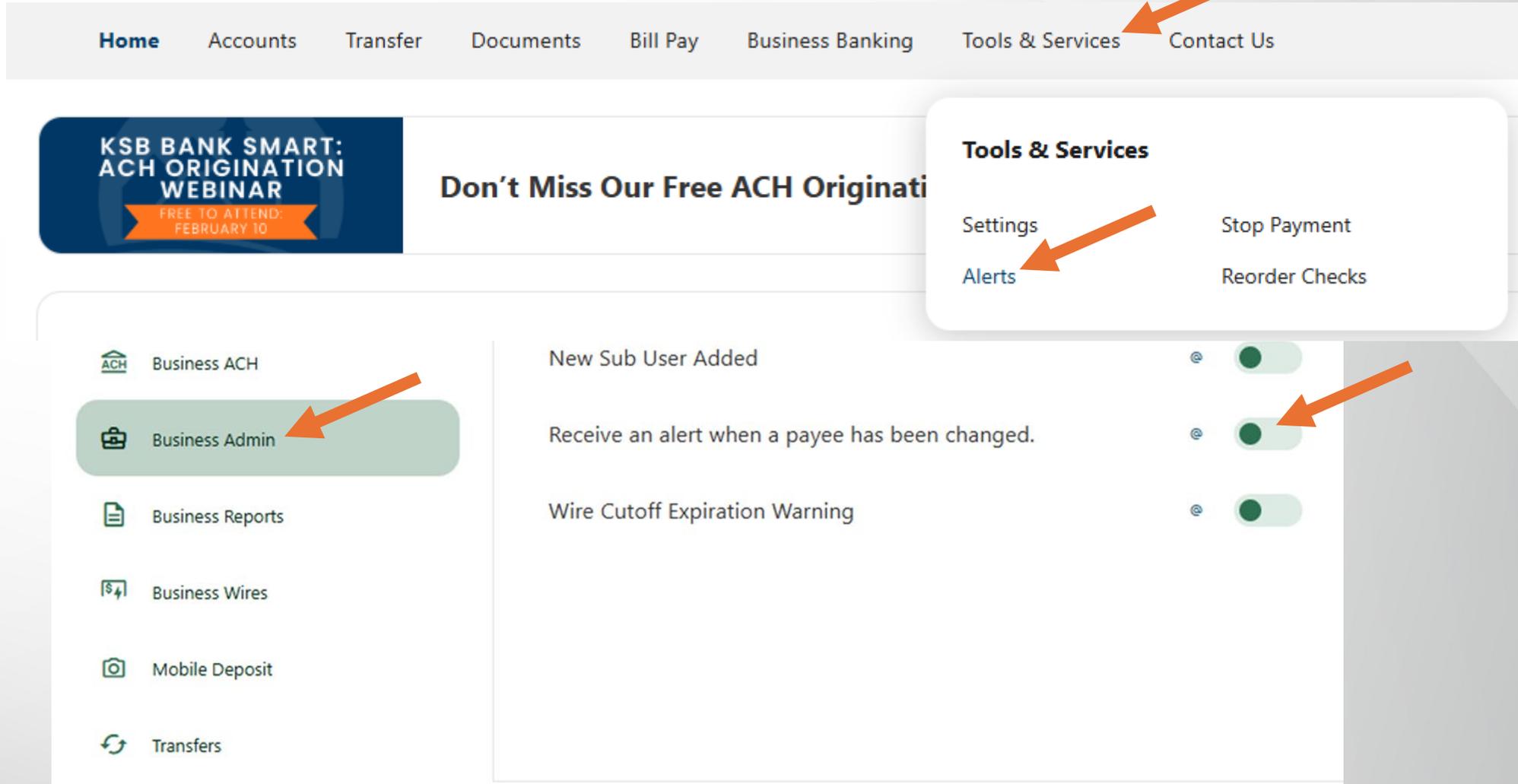
DEFINITION

Business Email Compromise/Email Account Compromise (BEC) is a sophisticated scam that targets both businesses and individuals who perform legitimate transfer-of-funds requests.

The scam is frequently carried out when an individual compromises legitimate business or personal email accounts through social engineering (PSA [I-041124-PSA](#)) or computer intrusion to conduct unauthorized transfers of funds. Often times BEC variations involve compromising legitimate business email accounts and requesting employees' Personally Identifiable Information in order to compromise other accounts that may be related to other scams.

- Ask you to update payment information or amounts
- Ask you to give them credentials, passwords, or codes
- Set expectations of urgency
- Create fear that you've done wrong

Recommended Alert Tools & Services > Alerts



Home Accounts Transfer Documents Bill Pay Business Banking **Tools & Services** Contact Us

KSB BANK SMART: ACH ORIGATION WEBINAR
FREE TO ATTEND: FEBRUARY 10

Don't Miss Our Free ACH Origination Webinar

Tools & Services

- Settings
- Alerts**
- Stop Payment
- Reorder Checks

Business Admin

- Business ACH
- Business Reports
- Business Wires
- Mobile Deposit
- Transfers

New Sub User Added

Receive an alert when a payee has been changed.

Wire Cutoff Expiration Warning

Use Your Resources

When you need help, contact KSB. We can provide:

- **Information about your accounts, files, and history**
- **Verification and support if you suspect a scam**
- **Tips and tricks for using online services**
- **Day-to-day advice about fraud prevention**
- **Limit increases**
- **Training and education to help keep you compliant**

BusinessSupport@KennebecSavings.Bank

207-622-5801

**Online Banking Message Center
Any Trusted KSB Staff Member**



Coming May 12, 2026

11AM – 12 NOON

Bank Smart: Managing Your Business Credit Card Program



Q&A