



Electronic Payments Core of Knowledge

PARTICIPANT GUIDE

Fly Away Payments: ACH & Wire Transfer Origination

Welcome to:

Fly Away Payments: ACH & Wire Transfer Origination

Program Description

Let's focus on ACH origination and discuss wire transfer origination too, which both are used primarily by businesses to make payments to business partners and consumers alike. Examine what is involved in the origination process of both payment systems.

AAP/APRP Credits: 1.2

Objectives

- Wire Origination
- ACH Origination
- Origination Review

Ground Rules

Please keep the following ground rules in mind to help create a more effective learning experience for everyone. We will discuss additional participation instructions during the online session.

1. Log on to class at least 10 minutes before the scheduled start.
2. Turn off email and phones and clear other distractions away from your training area.
3. Participate and prepare to be called on by name. The online learning environment lends itself to interaction. Participation will keep you engaged and move the class along.
4. Raise your hand if you have an immediate question or comment. Asking questions helps other participants clarify or reinforce concepts.
5. Be patient in waiting for a response to your chat message.

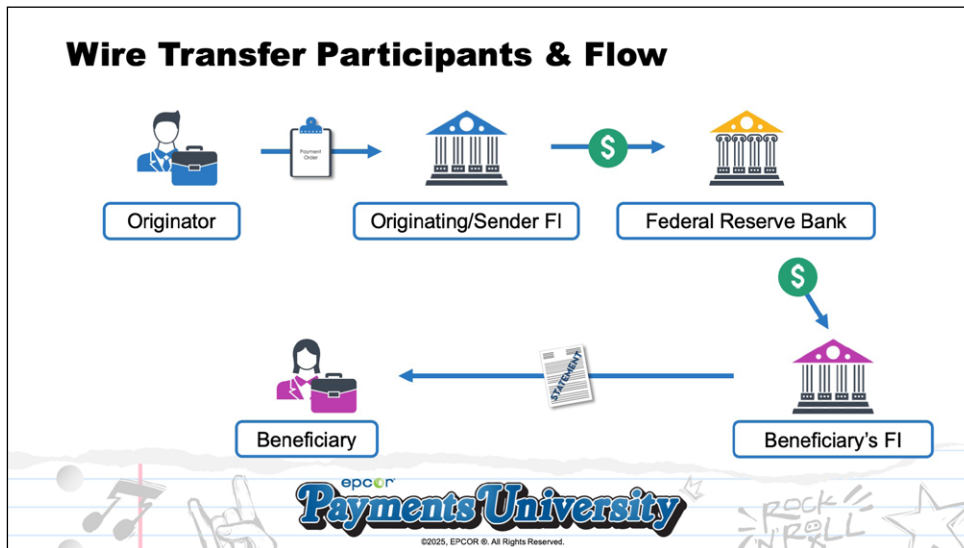
Technical Assistance

Your course invitation email contains step-by-step instructions for logging into this event.

If you are having technical difficulty, please call 800.500.0100

Wire Origination

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Prerequisite to Sending a Wire Transfer

Written agreement

Typically, in place for businesses sending wire transfers on a regular, recurring basis

Written authorization

Often used for consumer or one-off requests

Best practice to require request be done in-person






Receipt of Payment Order

Defined within a financial institution's wire policy




UCC 4A

Commercially Reasonable Security Procedures

-  Orally
-  Electronically
-  In Writing






Commercially reasonable verification




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UCC 4A

Commercially Reasonable Security Procedures

-  A question of law
-  Account holder wishes
-  Account holder characteristics
 - Payment Size
 - Payment Frequency
 - Payment Type
-  Alternative Security
-  Common procedures



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Commercially Reasonable Security Procedures











Click here to access UCC4A



READY FOR THE SHOW?



Commercially Reasonable?

- AI tool approval for all transactions  
- Verify identity of Originator prior to sending the wire using PINs, code words or tokens  
- Use call backs to confirm wire transfer requests  
- Document all wire transfers in a logbook  
- Signature comparison alone  



Security Procedures

- Still Commercially Reasonable if:**
- Customer chose one security feature
 - Customer refused another reasonable security procedure
- AND**
- Customer agrees to be bound by the payment as defined in the agreement regardless of the authorization's validity while using the chosen security feature.

[Click here to access UCC4A](#)



UCC 4A and Liability

Without an agreement in place:

Situation	Liable Party
Originator and Originating/Sender Bank DO NOT AGREE on commercially reasonable security procedures	Originating/Sender Bank
Originator and Originating/Sender Bank AGREE on commercially reasonable security procedures	Originator



Wire Fraud Case

- Choice Escrow and Land Title vs. BancorpSouth Bank**
- Online banking credentials stolen
- \$440,000 fraudulent wire transfer to Cyprus
- Fraudulent wire caused the account to be overdrawn by \$90,000
- Bank did not contact customer

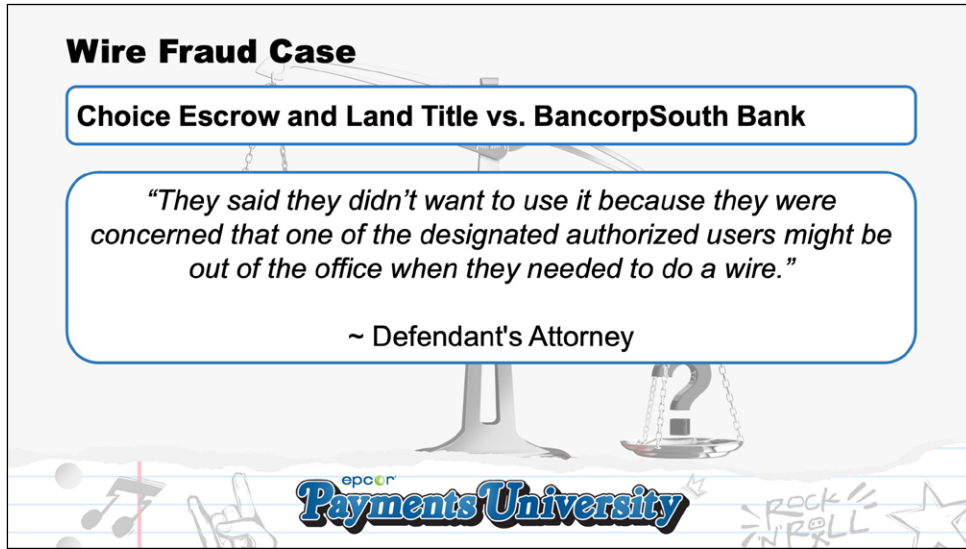


Wire Fraud Case

Choice Escrow and Land Title vs. BancorpSouth Bank

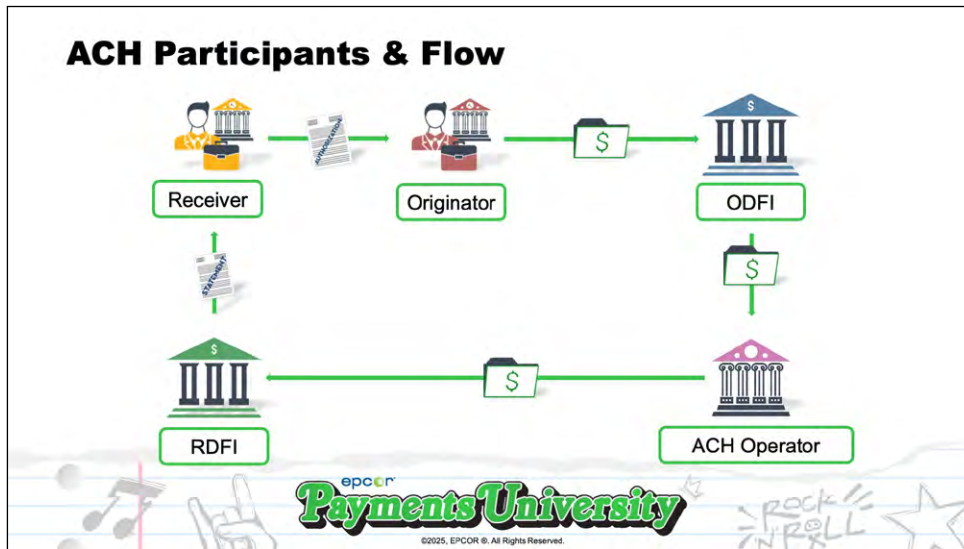
“They said they didn’t want to use it because they were concerned that one of the designated authorized users might be out of the office when they needed to do a wire.”

~ Defendant's Attorney



ACH Origination





Bank of Lake Superior

- \$500 million in assets
- Recently began offering ACH origination services
- PPD Credits
- PPD Debits
- CCD Credits
- CCD Debits

Payments University
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Quality Public Water Supply District (PWSD)

- Serve 4,600 water customers
- Bills on a monthly basis
- Employs 25 people
- Payroll is paid bi-monthly



Would they be a good candidate for ACH origination services and why?



The Sales Call

- Bank of Lake Superior meets with Quality PWSD to discuss ACH origination
- After reviewing the Bank's ACH origination service, Quality PWSD decides to begin with payroll of its employees.



Identify the steps within **Section 2.2, page OR6-7**, the Bank must take prior to sending Quality PWSD's payroll file.

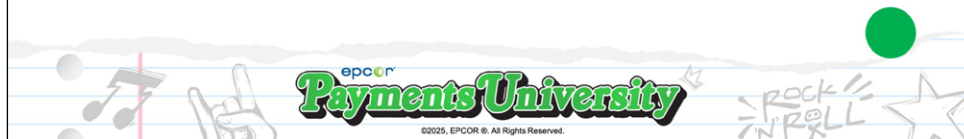


Prerequisites to Origination

Subsection 2.2.1, page OR6

Subsection 2.2.1, page OR6

Subsection 2.2.3, page OR7



Staff Meeting

Quality PWSD holds an all-staff meeting to announce the move to Direct Deposit of payroll

They also discuss the benefits and answer questions from staff



Under Section **2.3, page OR7-8**, is Quality PWSD required to obtain a written authorization from each employee before sending his/her payroll?



Authorization Requirements

Subsection 2.3.1, page OR7

Subsection 2.3.2.1, page OR8



File Delivery

How might Quality PWSD deliver its payroll file to the Bank of Lake Superior?

- A. Upload to online banking
- B. Upload to FTP server
- C. Bring a CD or USB drive to the ODFI
- D. Bring a paper listing so the Bank can manually enter for them

Important: file to be delivered by an authorized user and by the cutoff times specified in the Origination Agreement.



ACH Risk

What risk(s) are reduced by ensuring the file is delivered by an authorized user?



What risk(s) are reduced by setting a cutoff time?



ODFI Warranties

Section 2.4, page OR12-13

Entry is properly authorized

Entry complies with the ACH Rules

Entry contains the Receiver's correct information

Credit entry is timely

Debit entry is due and owing

Banking information is securely transmitted



Prenotes

Bank of Lake Superior requires all payroll Originators to send prenotes prior to sending a "live" entry

Are prenotes required to be sent under the ACH Rules, Section 2.6, page OR27?



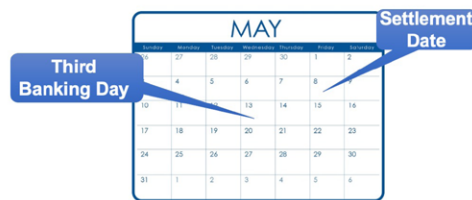
How can the Bank require prenotes be sent?



Waiting Period for Prenotes

Subsection 2.6.2, page OR27

Quality PWSD may initiate the live entry as soon as the third banking day following the Settlement Date of the prenote, provided it has not received a return or Notification of Change (NOC)



Notification of Change (NOC)

Joe Drinkwater, an employee of Quality PWSD,
provided erroneous account information in his authorization



Correct
Acct #
56789001

Credit Union of Wealth has sent an NOC with Joe's
correct account number



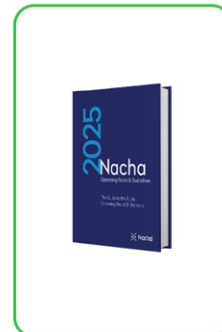
NOC

Subsection 2.12.1, page OR31

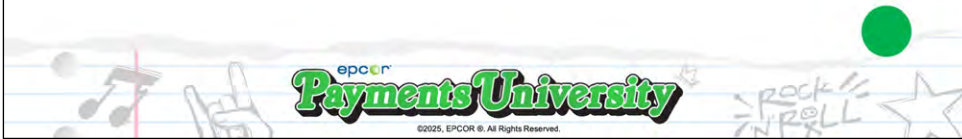
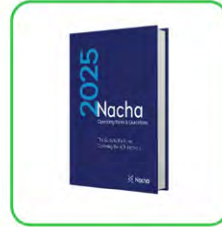
Describe what the Bank is required to do
upon receiving a NOC.



Describe Quality PWSD's responsibilities
related to receipt of a NOC.






NOC Responsibilities: Bank of Lake Superior




NOC Responsibilities: Quality PWSD







Returns

	Joe closes his account at Credit Union of Wealth
	Joe opens an account at Nuttin' Left Bank, but fails to notify Human Resources of the change
	Credit Union of Wealth returns Joe's payroll as account closed within 2 banking days of the Settlement Date of the payroll

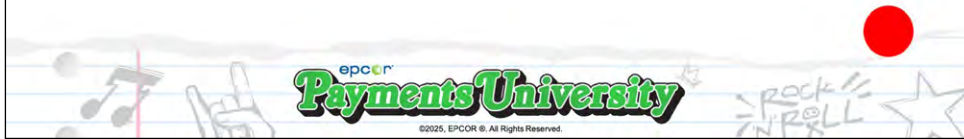
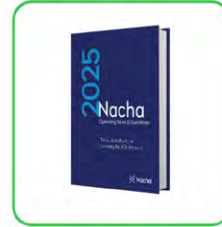


Return Entries

Section 2.13, page OR32		
Describe what the Bank is required to do when it receives a return entry.		
What must Quality PWSO do to resolve this issue?		



Return Responsibilities: Bank of Lake Superior



Return Responsibilities: Quality PWSD



Obtaining New Account Information?

Quality PWSD requires Joe to update his account information on file. List ways Joe may be able to do that.

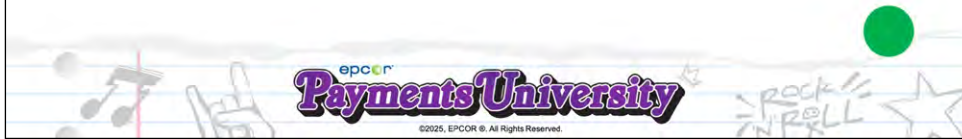


Origination Review



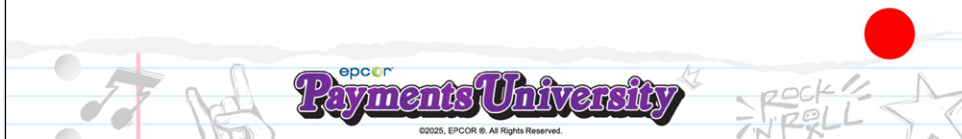
Question 1:

List two commercially reasonable wire security procedures



Question 2

Where would you find general ODFI warranties/liabilities in the ACH Rules? Can you name one of them?



Question 2

Can you name three more ODFI warranties or liabilities?



Question 3

If commercially reasonable wire transfer security procedures are agreed upon, which entity will generally be liable for unauthorized transactions?



Thank You for Attending!

EPCOR is your best resource for:

Expertise—

Payments professionals are just a phone call away to help you resolve issues and understand the complex rules and regulations regarding all types of electronic payments.

Diverse Programs—

More than just the *ACH Rules*, you get a variety of programs on fraud, risk, audits and more to protect your organization against loss and penalty.

Keeping Pace with the Evolving Payment Landscape—

You have a voice in industry issues through EPCOR and you stay connected with industry initiatives that influence policy.

Visit epcor.org for a complete list of classroom and online learning events.

CERTIFICATE OF COMPLETION

This certificate is awarded to:

on

In completion of:

**Fly Away Payments:
ACH & Wire Transfer Origination**

This course is worth 1.2 AAP/APRP
continuing education credits.



A handwritten signature in black ink that reads "James Carrick".

James Carrick
Vice President, Education, EPCOR

