

The ABCs of SECs





PaymentsFirst is one of the largest payment associations within the United States, promoting the secure use, advancement, and understanding of payment systems. We are a proud Direct Member of Nacha and the U.S. Faster Payments Council and a proud payment association participant of the Center for Payments.





Disclaimer

- PaymentsFirst, through its Direct Membership in Nacha, is a specially recognized and licensed provider of ACH education, publications and support.
- Payments Associations are directly engaged in the Nacha rulemaking process and Accredited ACH Professional (AAP) program.
- Nacha owns the copyright for the Nacha Operating Rules & Guidelines.
- The Accredited ACH Professional (AAP) and Accredited Payments Risk Professional (APRP) is a service mark of Nacha.
- This material is derived from collaborative work product developed by Nacha and its member Payments Associations and is not intended to provide any warranties or legal advice and is intended for educational purposes only.
- This material is not intended to provide any warranties or legal advice and is intended for educational purposes only.
- This document could include technical inaccuracies or typographical errors and individual users are responsible for verifying any information contained herein.
- No part of this material may be used without the prior written permission of PaymentsFirst.
- © 2025 PaymentsFirst All rights reserved

Agenda

- 01.** Understanding SEC Codes and Authorizations
- 02.** Examples and Scenarios
- 03.** Best Practices

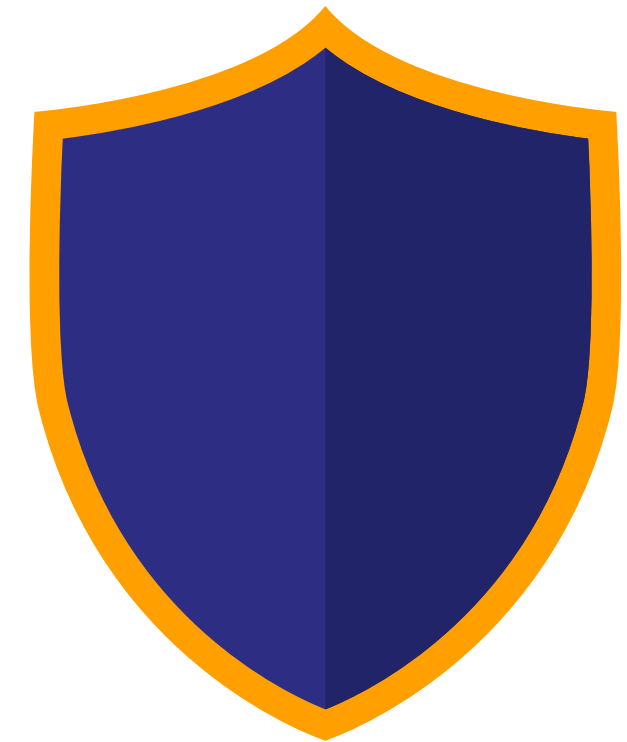




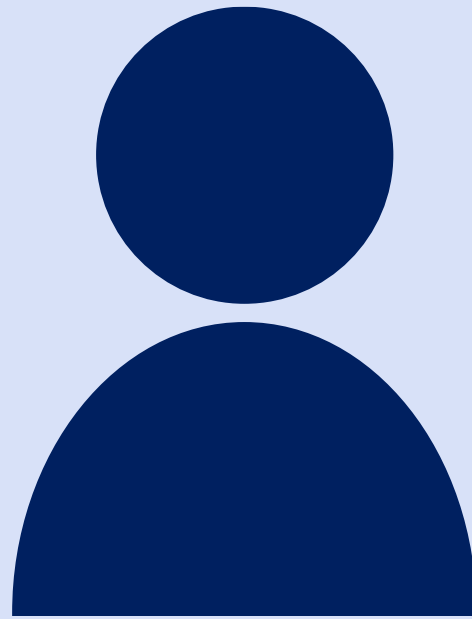
**SEC Codes and
Authorizations**

Standard Entry Class (SEC) Codes

- Three Character Code that identifies
 - The payment type
 - Rules that apply
 - Formatting requirements
 - Warranties
- SEC Codes are defined and maintained by NACHA, the governing body for the ACH network.



SEC Code Categories



Consumer



Non-Consumer

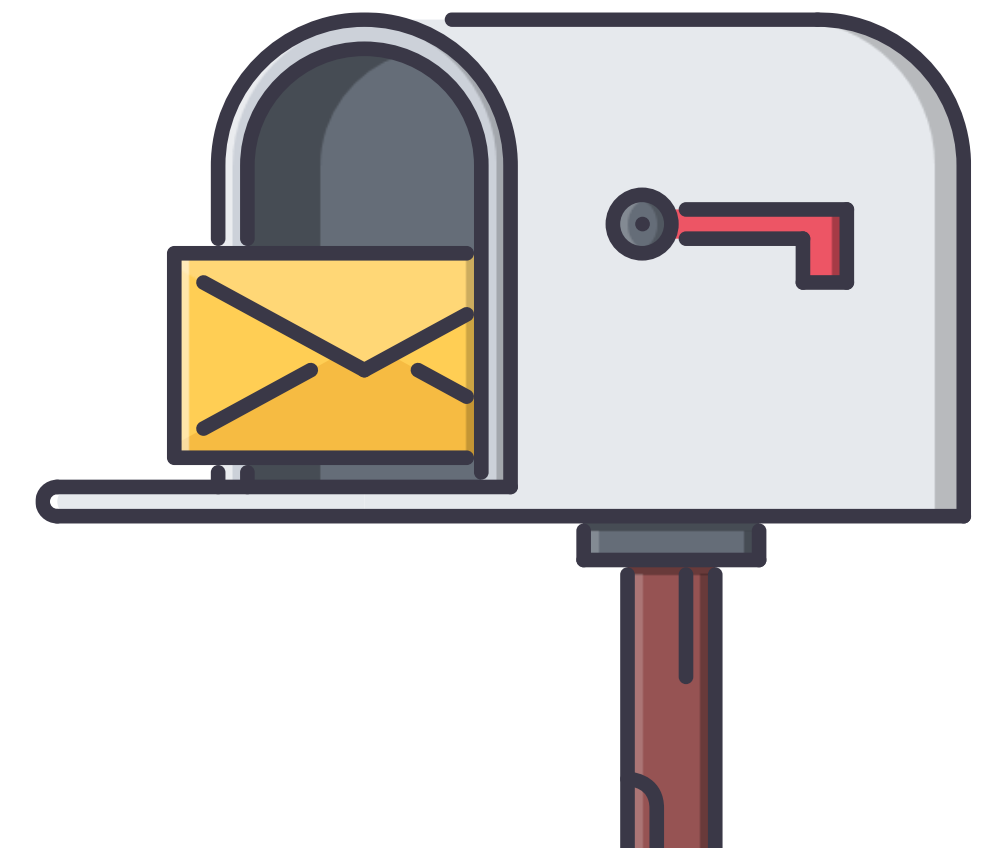


Non-Monetary

Consumer SEC Codes

ARC

- Accounts Receivable Entry
 - Debit, Single entry
 - Originated based on an eligible source document provided to an Originator by the Receiver:
 - Via U.S. mail or delivery service
 - At a dropbox location, or
 - In person for payment of a bill at a manned location



Authorization

ARC

- Notice to Receiver plus receipt of source document = Authorization
 - No written authorization required
- MICR line information captured via scanner/reader
- Originator Retains the Check
- Essentially, when a check is provided as payment, the payer authorizes the use of the check to make a one-time electronic fund transfer from their account or to process the payment as a check transaction

Consumer SEC Codes

BOC

- Back Office Conversion
 - Debit, Single entry
 - Originated by gathering banking information from an eligible source document provided by the Receiver at the point-of-purchase or at a manned bill location for conversion during back-office processing
 - May be used for in-person transaction



Authorization

BOC

- Authorization obtained via notice and receipt of the check (source document)
- Notice posted in prominent and conspicuous location AND copy of notice provided to the Receiver at the time of the transaction
- MICR line information captured via scanner/reader

Consumer SEC Codes

IAT

- International ACH Transaction
 - Credit or Debit, Single or Recurring
 - An entry that is part of a payment involving a financial institution's office located outside the United States.



Authorization

IAT

- Authorization requirements are the same as a PPD, CCD or any other secondary SEC Code
- Follow foreign payment systems rules

Consumer SEC Codes

POP

- Point of Purchase
 - Debit, Single entry
 - Customers presents a check at the point-of-purchase
 - Written authorization required
 - MICR line information captured via scanner/reader
 - Check stamped “VOID” and returned to the customer along with the receipt



Authorization

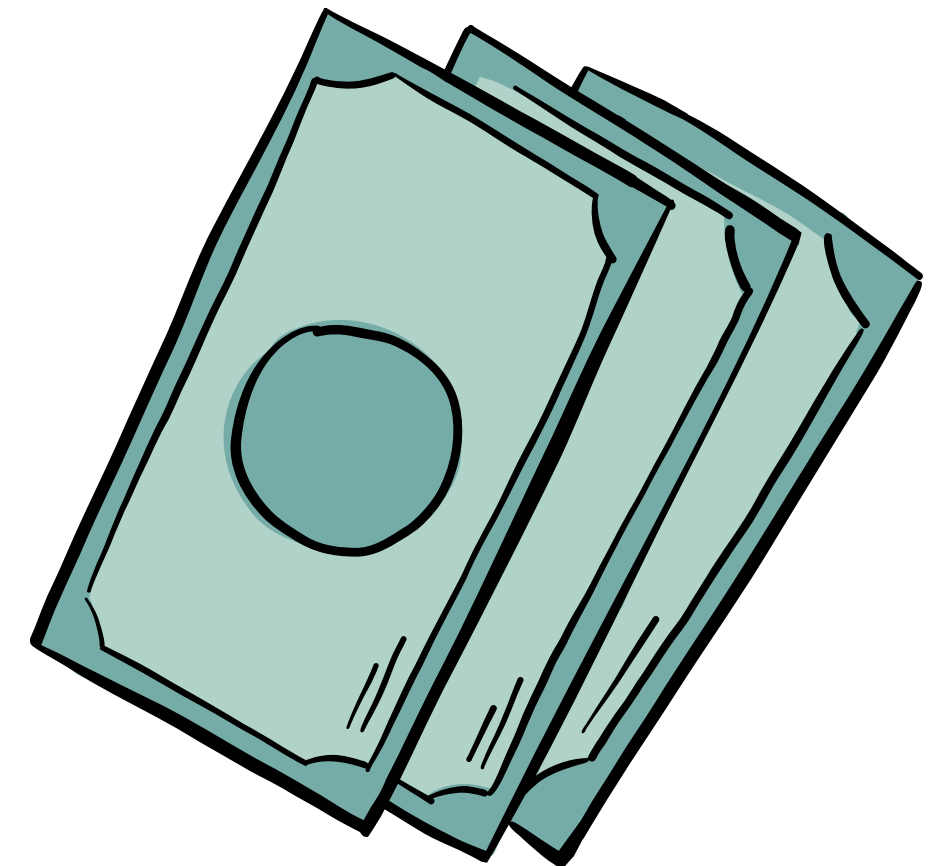
POP

- Posted Notice PLUS Written authorization required
- Written authorization should indicate that the check will not be processed
- MICR line information captured via scanner/reader
- Copy of the authorization, voided check, and receipt must be given to the consumer/business
- Receipt must contain:
 - Merchant name
 - Merchant telephone number
 - Merchant number (or other unique number that identifies the location of the transaction)
 - Date of transaction
 - Amount of transaction
 - Check serial number
 - Terminal City and State

Consumer SEC Codes

PPD

- Prearranged Payment and Deposit
 - Credit or Debit, Single or Recurring
 - Entry initiated by an Organization based on an authorization from a Receiver to transfer funds to or from a Consumer Account of the Receiver.
 - Most commonly used for Direct Deposit or Direct Payment



Authorization

PPD

- Authorization for PPD debit entry must be in writing and signed or similarly authenticated by the Receiver
- Must be recognizable as credit or debit authorization
- Clearly state terms of authorization
 - Include company name
 - If recurring, state frequency and amount for debits
 - Contain name, account # and type, routing number
- Terms and instructions on revoking authorization for electronic payment
- Consumer to receive a copy

Consumer SEC Codes

RCK

- Re-Presented Check Entry
 - Debit, Single entry
 - Initiated to collect on a check that has been returned NSF or Uncollected Funds
 - RCK Entry may be reinitiated if:
 - RCK Entry has been returned for insufficient or uncollected funds
 - Item related to the RCK item has not been presented no more than one time through the check collection system and no more than one time as an RCK entry



Authorization

RCK

- Notification required prior to acceptance of check
 - No written authorization required.
 - Notice and Receipt of Check=Authorization
 - Sample Notice “If you pay for your purchase with a check and this check is returned to us for NSF or Uncollected funds, we will process future presentations as ACH transactions.”
- Must indicate “NSF” or “Uncollected Funds” on face
- Must be dated 180 days or less from date of RCK entry

Consumer SEC Codes

TEL

- Telephone Initiated Entry
 - Debit, Single or Recurring entry
 - Entry where consumer provides authorization orally over the telephone
 - Initiated when:
 - The consumer has initiated the phone call
 - An existing relationship between the Originator and consumer



Authorization

TEL

- Authorization
 - Recorded OR
 - Written Notice
 - Copy of authorization for recurring must be sent to Receiver
- Valid authorization requires Originator to clearly state that consumer is authorizing an ACH debit, and clearly express terms of authorization
- Originator must disclose specific information

Consumer SEC Codes

WEB

- Internet Initiated Entry
 - Debit, Single or Recurring entry
 - Entry to a consumer account initiated by an Originator pursuant to an authorization obtained from the Receiver via the Internet or Wireless Network



Authorization

WEB

- Entry to a consumer account initiated by an Originator pursuant to an authorization obtained from the Receiver via the Internet or Wireless Network
 - Voice or keypad inputs on wireless phone to live operator or VRU are not subject to requirement
- If authorization is recurring, there must be a way to revoke the authorization
- Hard copy
- Authentication of Receiver proves Identity of the consumer
 - PIN, Shared secret, etc.
- Can have authentication without authorization, but not authorization without authentication

Consumer SEC Codes

XCK

- Destroyed Check Entry
 - This code can be used by a collecting institution for the collection of
 - Certain checks that have been destroyed or lost
 - Checks that have been damaged such that processable images cannot be made
 - Check images that are not able to be processed.



Additional Info

XCK

- Any lost or destroyed check under \$2,500
- ODFI initiates entries to collect cash letters which are lost or destroyed
- Can be used for non-imageable items
- Creator has extra warranties and limitations
- RDFI may choose not to accept any XCK entries – 60 day right of return

Corporate SEC Codes

CCD

- Corporate Credit or Debit Entry
 - Credit or Debit, Single or Recurring
 - The code that identifies an Entry initiated by an organization to transfer funds to or from an account of that Organization or another Organization.



Corporate SEC Codes

CTX

- Corporate Trade Exchange
 - Credit or Debit, Single or Recurring
 - This code identifies an Entry initiated by an Organization to transfer funds to or from the account of that Organization



Authorization

CCD/CTX

- Trading Partner Agreements
 - Agreements between entities that spell out exactly how the transactions will be executed

Authorization for All ACH Entries

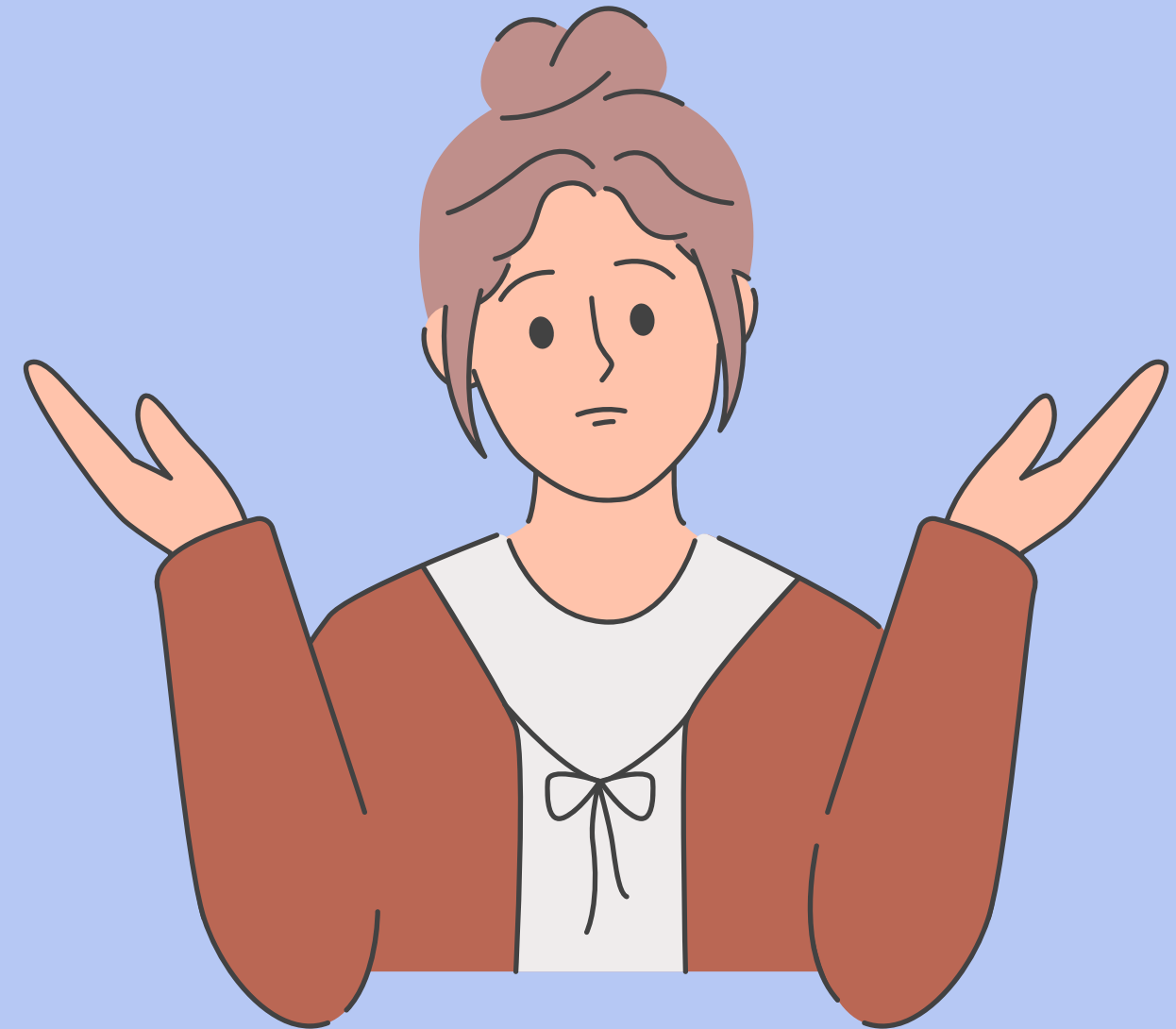
- Originator is responsible for authorization
 - Securing
 - Retention
- Must retain for 2 years after termination or revocation of authorization



**Examples and
Scenarios**

Unauthorized PPD Debit

- Originator submitted a debit using the PPD code
- No written authorization was obtained
- Consumer disputes the debit as unauthorized
- RDFI must evaluate return eligibility



Fraudulent WEB Debit

- Consumer makes a purchase online
- Their account is later debited again—unauthorized
- Investigation reveals the merchant did not use proper authentication



TEL Entry Dispute

- Consumer authorized a payment over the phone
- Later disputes the debit as unauthorized
- Merchant has no recording or documentation



CCD Used on Consumer Account

- Originator sends a debit using CCD
- The Receiver is an individual, not a business
- Consumer disputes the debit as unauthorized





Best Practices

SEC Code Best Practices

- Validate SEC Code use at origination
 - Confirm the payment type matches the appropriate SEC code
 - Avoid “defaulting” to a code without verifying the transaction method
 - Cross-train staff on identifying the correct code

- Standardize Authorization Collection and Storage
 - Develop templates and procedures for obtaining valid authorizations
 - Implement version control for authorization language
 - Use secure, searchable storage systems for easy access during disputes or audits

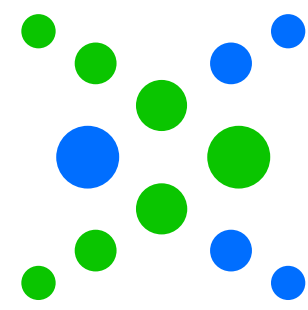
SEC Code Best Practices

- Implement Monitoring and Internal Reviews
 - Perform periodic reviews of transactions by SEC code
 - Look for inconsistencies (e.g., using CCD for consumer debits)
 - Use audit results to inform training and policy updates

- Leverage Nacha Tools and Training
 - Stay current with Nacha Operating Rules and annual updates
 - Use quick reference guides and return reason charts
 - Train staff annually and when roles change

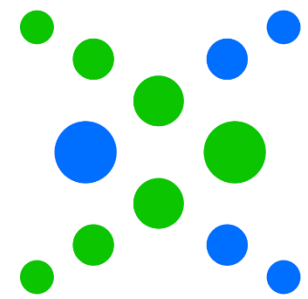


Questions?



AAP[™]

Accredited
ACH Professional



APRP[™]

Accredited Payments
Risk Professional

Continuing Education Credits

The ABCs of SECs

July 2025

This session is worth 1.8 credits
(Keep this slide for your records).



Contact Us



(678)-384-9791



www.paymentsfirst.org



education@paymentsfirst.org



@PaymentsFirst

