It’s Not Business as Usual: New ACH Network Opportunities

Jan Estep
President and CEO
NACHA – The Electronic Payments Association
ACH Network Opportunities

- We are actively listening to business needs
- We want to help you identify ACH Network solutions
- We want to hear from you
We are actively listening to business needs

Your input has informed the strategic direction of the ACH Network
## Industry Survey: Longer-Term ACH Network Needs

<table>
<thead>
<tr>
<th></th>
<th>ACH Network should allow for voluntary or “opt-in” applications</th>
<th>ACH Network should support parallel processing arrangements for opt-in users, advanced applications, or new formats</th>
<th>Users of the ACH Network expect faster payments and availability of funds</th>
<th>NACHA should focus on enabling increased use of ACH credit payments</th>
<th>ACH Network should support enhanced functionality for payment-related messages</th>
<th>ACH Network should support account verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Union</td>
<td>5.7</td>
<td>6.1</td>
<td>8.7</td>
<td>7.0</td>
<td>7.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Banks under $5B</td>
<td>5.0</td>
<td>5.4</td>
<td>8.3</td>
<td>7.4</td>
<td>7.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Banks over $5B</td>
<td>4.3</td>
<td>5.2</td>
<td>8.0</td>
<td>7.5</td>
<td>7.5</td>
<td>7.8</td>
</tr>
<tr>
<td>Tech Provider</td>
<td>5.7</td>
<td>6.6</td>
<td>8.5</td>
<td>7.9</td>
<td>7.6</td>
<td>7.9</td>
</tr>
<tr>
<td>End-user</td>
<td>6.3</td>
<td>6.7</td>
<td>8.3</td>
<td>7.8</td>
<td>7.9</td>
<td>8.9</td>
</tr>
<tr>
<td>All Other</td>
<td>5.9</td>
<td>6.4</td>
<td>8.0</td>
<td>7.8</td>
<td>7.9</td>
<td>8.1</td>
</tr>
</tbody>
</table>

(Q15) As you think about the ACH Network and its long-term capabilities into the future, please indicate the degree to which you agree or disagree with the following statements: (Where 1 = Strongly Disagree to 10 = Strongly Agree)
The ACH Blueprint

Identifies areas of future opportunity – Blueprint “attributes”

1. Innovation
2. ACH Formats
3. ACH Credit Payments
4. Routing Data Verification
5. User Enablement
6. Cross-Border Interoperability
7. Remittance Data
8. Faster Payments

2013-2015 Strategy
2016-2018 Strategy
2019-2021 Strategy
Major Strategies 2013-2015

- Advocate for the ACH Network
- Innovate to Meet End-User Needs
- Enable ACH Credit Origination
- Make Cross-Border Payments Easier
- Facilitate Payments Information and Messaging
- Balance Risk, Quality, and Innovation

Adding Value to Members and Network Participants
The ACH Blueprint and Strategic Planning

- Progress towards the ACH Blueprint attributes will be made incrementally over time through each strategic planning cycle.
Your ACH Network Needs

If we asked you today, what would you say is your top priority in payments?
We are actively listening to business needs

• How can we better support near-term and longer-term business needs?
  – Delving deeper into specific needs
  – Addressing through industry collaboration
  – Both provide opportunities for you
Direct Payment via ACH Biller Study

• Conducted for NACHA by Blueflame Consulting
• Data was collected from 1,000 billers for the study through:
  – 130 Telephone Interviews
  – 870 Web surveys
    • 714 in Wave One targeting SMB up to $50MM
    • 156 in Wave Two targeting middle market $10MM to $500MM
Billers Prefer ACH…

• 75% of those that offer electronic payment options offer Direct Payment via ACH

• Billers prefer receiving ACH payments over cards 48% to 21%
… While Consumer Preferences Evolve

• Billers’ estimates indicate that card and alternative payment usage by consumers for bill payment has grown faster than ACH over the past two years

Q76. Please estimate the annual growth rate you have seen in Direct Payment via ACH and Cards over the past two years?

<table>
<thead>
<tr>
<th></th>
<th>Alternative</th>
<th>Credit Card</th>
<th>ACH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>5.9%</td>
<td>11.1%</td>
<td>13.1%</td>
</tr>
<tr>
<td>One-Time</td>
<td>9.7%</td>
<td>14.5%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Overall</td>
<td>9.2%</td>
<td>13.3%</td>
<td>14.8%</td>
</tr>
</tbody>
</table>
Billers Reiterate Key Needs

- Consumers have a growing need to control the timing of their bill payments and enrollment

Q61. What are your top three obstacles to increasing customer adoption of ACH payment by consumers?

- Trust/Comfort/Control
- Knowledge/Awareness
- Hassle/Complexity
- Prefer other means
- Lack Required Resources
- Availability/Timing
- Customer Resistance
- Demographics
- Fatfingers/Exceptions
- Too Expensive
- Additional Fees

Most Mentioned Obstacle
2nd Most Mentioned Obstacle
3rd Most Mentioned Obstacle
Billers Reiterate Key Needs

- Billers want ACH to meet rising expectations of consumers
- Biller preference is recurring ACH debits, but consumers are more interested in one-time payments

[Consumers] want control of when the money is drawn from their account (Utility)

We see the direction as moving to smart devices – need to have it at customer’s fingertip (Utility)
QR Codes – Scan to Pay

- QR Code placed on statement is scanned by mobile device and links user to mobile web page
- User authenticates and completes payment
- Optional link to account access for account review, statement display, updates, payments, etc.
- Supports educational content, promotional offers, video, surveys, coupons, etc.
- Usage tracking
The Vision to Facilitate ACH Credits
A Consumer Bill Pay World Where . . .

**Consumers**
- Quickly make a mobile bill payment at the location of your choice: Biller or FI/aggregator site
- Easily and accurately set up payees
- Enroll for eBills

**Billers**
- Increase traffic to your website
- Increase electronic bill payments and eBill sign-ups
- Reduce bill payment exceptions

**FI/ Aggregator**
- Provide an awesome mobile bill pay experience
- Increase electronic bill payments and eBill sign-ups
- Reduce bill payment exceptions
QR Encoding for Bill Payment Guidelines

Why the Guidelines were developed

An open standard for a single QR code that can be read with either a generic or proprietary reader, and solves for many use cases.

What the Guidelines cover

<table>
<thead>
<tr>
<th>Use Cases</th>
<th>Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>(both Biller Direct and FI/Aggregator sites)</td>
<td>- Payload requirements</td>
</tr>
<tr>
<td>• View bills</td>
<td>- QR Code sizes</td>
</tr>
<tr>
<td>• Make bill payments</td>
<td>- Data elements</td>
</tr>
<tr>
<td>• eBill enrollment</td>
<td></td>
</tr>
<tr>
<td>• Set up Payees</td>
<td></td>
</tr>
</tbody>
</table>

https://cebp.nacha.org/QRcodes
Join the QR Code Evaluation

• Participate in Industry Evaluation
  – Leverage NACHA project management and publicity resources
  – Influence evaluation design and process
  – Receive assistance with participant recruitment/participation with known organizations

• A participant agreement with NACHA specifies:
  – Willingness to be active participant in the evaluation; timeframe
  – Roles, responsibilities and participant requirements

• Contact: Rob Unger (runger@nacha.org)
ACH Credit Origination
Decrease Your Checks and Cash

Checks as a % of non-cash payments

Note: Non-cash transaction totals used to calculate check share do not include prepaid card volumes

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ACH “Direct Credits” have replaced checks in many countries

Source: Bottomline Technologies
Windy City AFP 2013 presentation
EBIDS Secure Biller “Pay Only” Directory Services

- Directory services are key to open, interoperable network, and help to enable ACH credit origination by consumers and businesses.

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Success with ACH Credit Origination

• How do you currently use ACH Credits?
• How could you be using them to reduce use of cash and checks?
• What information do you need to make the transition?
Additional Settlement Windows: Next Steps

- EPS: Original August 2012 Rules proposal to add one more settlement window per day (2 PM EDT ODFI file delivery to Operators)
- Feedback from ballot and follow-on discussions have progressed
- Fed ACH “Enhanced Same-day Opt-in Service” is available now
  - Now supports same-day ACH Credit and ACH Debit transactions
- Additional options/enhancements to original Rules proposal under exploration
Straight-Through Processing

ACH Network initiatives support business efforts toward electronic payments and straight-through processing.
XML Opt-In Program

- XML Opt-in Program launched August 1, 2013
  https://www.nacha.org/XML-ACH-Remittance
- Enable utilization of XML with ACH payments to carry information about a payment, providing the benefit of straight-through-processing
  - Participants can send and receive XML formatted remittance via CTX
  - Includes rules, guidelines and published XML data dictionary for participants to define XML attributes
XML Opt-In Program

- Benefits for businesses:
  - Leverages existing industry standards
  - Supports straight-through processing
  - Increases workflow efficiency
How does it work?

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**To:** XYZ Corporation  
**Cost #:** 1112222222PD

**Attn:** John Smith  
**Purchasing Department**  
27 Washington Ave.  
Albany, NY 12206

**Office Phone:** 212-333-1234  
**Mobile Phone:** 212-555-5678  
**Email:** john.smith@xyzcorp.org

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### Details of the Invoice

<table>
<thead>
<tr>
<th>YOUR ORDER NO.</th>
<th>YOUR CONTRACT NO.</th>
<th>TERMS</th>
<th>INVOICE DATE</th>
<th>INVOICE NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ Corporation</td>
<td>ABC-007925</td>
<td>Net 30 Days</td>
<td>10/17/12</td>
<td>123456</td>
</tr>
</tbody>
</table>

**Description:**

- **Annual ABC-Customer-Care Software License Fee**
  - per the SOFTWARE LICENSE AGREEMENT (ABC-007925) between ABC Corporation and XYZ Corporation dated effective September 7, 2012
  - Signed by John Smith for ABC Corporation on September 26, 2012

**Annual ABC-Customer-Care Software License Fee**

- for the period December 1, 2012 to November 30, 2013

**Amount:** $110,500.00

**Adjustments:**

- Discount applied for payment before start of License Fee period: $300.00
- Payment reduction due to Software License price change (Reason Code: 03): $200.00

**Total Discounts and Adjustments:** $500.00

**TOTAL DUE:** $110,000.00

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**Send Remittance Directly to:**

ABC Corporation
Accounts Receivable
123 Lexington St.
Wilmington, DE 19801

**OR Electronic Payment To:**

HSBC Bank USA, N.A.
Account #: #0123456789

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**Association for Financial Professionals®**

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*Take a sample invoice...*
XML Declaration, tells device opening the file that it is XML compliant
Participate in XML via ACH Opt-In Program

- Opt-in program open for all participants
- Opt-in participant agreement, rules and guidelines
- Reference an XML data dictionary for participants
- Contact Rob Unger (runger@nacha.org)
Healthcare: A Case Study in Identifying Efficiencies

- The NACHA CCD+ is the EFT standard for the healthcare industry, creating process simplification and efficiency

- Enrolling should be as easy as enrolling in Direct Deposit of payroll
Healthcare EFT and ERA Flow: A Step Toward Straight-Through Processing

Health Plan creates the CCD+ and ERA

ERA (835) Remittance Advice

ODFI sends the CCD+ Payment to the ACH Operator

RDFI receives CCD+ and posts funds to Provider's account

RDFI sends the CCD+ Payment to the ACH Operator

ERA (835) Payment/Advice

Sent from the Health Plan to the Provider through separate channel

Provider receives the ERA with the TRN Reassociation segment and must Match it to the TRN Reassociation segment received from the RDFI.

Reassociation TRN segment sent to the Provider when requested
Account Validation: ACH Business Need

- Two industry surveys reiterated the need for account validation
  - NACHA survey: Defined concept and needs
  - Direct Payment via ACH Biller research: Most desired ACH enhancement

Q52. Would the following ACH services or solutions help your organization’s consumer payment receipt/collection efforts?

<table>
<thead>
<tr>
<th>ACH Enhancements</th>
<th>Count</th>
<th>Percent Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account Verification</td>
<td>270</td>
<td>58%</td>
</tr>
<tr>
<td>Simpler Research</td>
<td>216</td>
<td>47%</td>
</tr>
<tr>
<td>Directory Services</td>
<td>207</td>
<td>46%</td>
</tr>
<tr>
<td>Simpler Authorization</td>
<td>197</td>
<td>43%</td>
</tr>
<tr>
<td>New Formats</td>
<td>153</td>
<td>34%</td>
</tr>
</tbody>
</table>
Industry Collaboration: Account Validation

- Began steps to move toward account validation solution via ACH
- Passed pre-note rule that lays groundwork for future needs; effective 9/19/2014
- Pre-note rule creates a reduction in the waiting period for live entries
Next Steps in Supporting Business Account Validation

- Developing outline of requirements to support account validation on the ACH Network
- Identifying opportunities for standardization of account validation for ACH transactions
We want to hear from you

How would account validation on the ACH Network help to support your payments needs?
NACHA Operating Rules

• How many of you know about the different opportunities to participate in the NACHA Rules process?
Request for Information/Request for Comment

NACHA is requesting feedback related to the NACHA Operating Rules.

REQUEST FOR COMMENT

REQUEST FOR COMM

NACHA is requesting feedback related to the NACHA Operating Rules.

NACHA Staff Contacts

Return comment to: Maribel Bondoc, Manager, Network Rules
Fax (703) 787-0996
E-mail: mbondoc@nacha.org

Questions: Phyllis Schneider, AAP, ACH Network Rules
E-mail: pschneider@nacha.org

Questions: Carl Conahan, AAP, Senior Director, ACH Network Rules
E-mail: cconahan@nacha.org

Documentation:

An Executive Summary and description of the proposed Rules amendments.

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# Standing Rules Work Groups

<table>
<thead>
<tr>
<th>Innovation</th>
<th>Risk &amp; Quality</th>
<th>Operations/Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Focus on new ways to use the Network or substantial enhancements</td>
<td>• Focus on <em>Rules</em> related to risk and quality in the ACH Network</td>
<td>• Focus on <em>Rules</em> related to operations, maintenance, and compliance with other regulations</td>
</tr>
<tr>
<td>• Subgroups could be utilized for specific topics where subject-matter expertise is needed, which may include end-users</td>
<td>• 2 RFC/ballot periods per year (e.g. February and August)</td>
<td>• 2 RFC/ballot periods per year (e.g. May and November). If leg/reg requires faster action, may be additional ballot</td>
</tr>
<tr>
<td>• RFCs/ballots issued as needed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Rule</th>
<th>Implementation Date</th>
<th>Business Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Originator Obligations with Respect to Notifications of Change for Single Entries</td>
<td>\textit{Became effective Sept. 20, 2013}</td>
<td>Makes optional the Originator’s response to Notifications of Change (NOCs) for Single Entry payments.</td>
</tr>
<tr>
<td>Stop Payments – Effective Period of Stop Payment to Non-Consumer Account</td>
<td>\textit{Became effective Sept. 20, 2013}</td>
<td>Revises language regarding the effective period of a stop payment order related to a debit Entry to a Non-Consumer Account, incorporating two additional conditions under which a stop order would lapse.</td>
</tr>
<tr>
<td>Proof of Authorization for Non-Consumer Entries</td>
<td>Sept. 19, 2014</td>
<td>Permits an RDFI to request proof of a Non-Consumer Receiver’s authorization for a CCD, CTX, or an Inbound IAT Entry; and requires that, upon receipt of an RDFI’s written request, the ODFI provide one of two forms of specific documentation.</td>
</tr>
<tr>
<td>Dishonored Returns and Contested Dishonored Returns Related to an Intended Credit to a Receiver</td>
<td>\textit{March 20, 2015}</td>
<td>Provides an Originator/ODFI with an additional mechanism to resolve, via the automated return process, situations in which use of the reversal process has resulted in, or not resolved, an unintended credit to the Receiver.</td>
</tr>
</tbody>
</table>
We want to hear from you

There are a number of ways for you to help shape the near- and long-term development of the ACH Network
Business Input Supports ACH Network Development

Ideas for new Rules often arise in NACHA Council and Forum dialogue
NACHA Councils Bring Payments Stakeholders Together

- Councils support dialogue about Consumer, Corporate and International Payments
  - Opportunities for niche focus, collaboration and dialogue
  - Activities in support of existing and emerging payment enablers, trends, issues, developments, and innovation
The New Council Model

• NACHA’s Council Model is evolving to bring even more opportunities for easy dialogue and information

• Now is your opportunity to join NACHA’s Council today and shape tomorrow’s solutions

• Contact George Throckmorton, gthrockmorton@nacha.org

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AAP Accreditation Program

- Helps identify new revenue opportunities and cost savings, leveraging the ACH Network
- Helps to reduce risk and process expenses
- Supports electronic payments expertise
- Provides a strong competitive edge

Accredited ACH Professional
NACHA—The Electronic Payments Association

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NACHA’s PAYMENTS Conference

Payments.nacha.org

- Only conference to specifically address only payments
- Focuses on holistic payments strategies and industry evolution
- Call for Presentations open
- Registration open

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The ACH Network supports innovation

The ACH Network is a ubiquitous payments platform that can support your needs.
<table>
<thead>
<tr>
<th>Participation Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At-A-Glance: Business Tools and Resources</strong></td>
</tr>
<tr>
<td><strong>Industry Councils and Forums</strong></td>
</tr>
<tr>
<td>Affiliate Program</td>
</tr>
<tr>
<td>Council for Electronic Billing and Payment</td>
</tr>
<tr>
<td>Electronic Check Council</td>
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<tr>
<td>Global Payments Forum</td>
</tr>
<tr>
<td>The Internet Council</td>
</tr>
<tr>
<td><strong>NACHA Operating Rules</strong></td>
</tr>
<tr>
<td>Requests for Comment</td>
</tr>
<tr>
<td>Rules Work Groups</td>
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<td><strong>ACH Solutions</strong></td>
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<tr>
<td>QR Code Guidelines and Resources</td>
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<tr>
<td>XML Opt-In Program</td>
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<tr>
<td>Secure Vault Payments</td>
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<tr>
<td>EBIDS</td>
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</tbody>
</table>
# At-A-Glance Business Tools and Resources

## Publications and Resources

### Publications

1. **NACHA Operating Rules**
2. **ACH Corporate User Guide**
3. **ACH Audit Guide for Originating Companies**
4. **Revised Uniform Commercial Code Article 4A and the ACH System**
   - [www.nacha.org/eStore](http://www.nacha.org/eStore) for all publications
   - [ACHRulesonline.org](http://ACHRulesonline.org) for Rules

### Web Resources

- **Healthcare Microsite**
  - Healthcare.nacha.org

- **Fraud & Phishing Resource Center**
  - [www.nacha.org/Fraud-Phishing-Resources](http://www.nacha.org/Fraud-Phishing-Resources)

- **Direct Deposit via ACH & Direct Payment via ACH**
  - [Electronicpayments.org](http://Electronicpayments.org)

- **State Tax Change Portal**
  - Nachataxportal.org

### Training Resource

- **Small Business Training Modules**
  - [www.nacha.org/eStore](http://www.nacha.org/eStore)

### Environmental Responsibility Resource

- **PayItGreen Seal of Approval**
  - Payitgreen.org