



Beyond the Rules: How ACH Can Help Move Your Business Forward

Utility Payment Conference 2018

ACH Network

- Universal
 - Connects virtually all 12,000 U.S. financial institutions
 - Ubiquity allows payments to and from consumers and businesses
- Efficient
 - Data + Payments can travel together
 - Cost effective
- Secure
 - Lower unauthorized return rate than credit cards and signature debit cards
- Innovative
 - Continuously evolving rule set to facilitate commerce

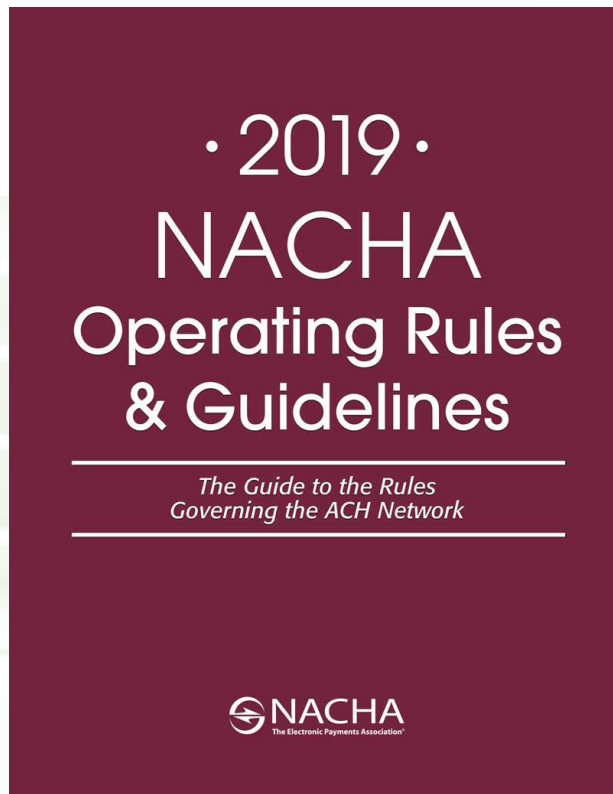
What is ACH?

ACH (Automated Clearing House Network) refers to a specific electronic payment network.

- The ACH Network is used for business, government and consumer domestic and international payments
- Funds are moved between bank accounts by the banks
- Payments settle within 1-2 days for “Classic ACH”; payments settle in the same day for “Same Day ACH”
- The Network is governed by NACHA–The Electronic Payments Association



What are the *NACHA Operating Rules*?



Provides a common set of
rules and formats



Establishes the legal foundation
for the ACH Network



Creates certainty
and interoperability



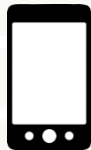
Defines roles and
responsibilities

<https://www.nacha.org/rules>

www.nacha.org

What does a *NACHA Rule* do?

Pay a bill by phone



Buy shoes online



To use your checking account to pay a bill by phone, or make an online purchase (*both are ACH payments*), a **NACHA Rule** specifies:

- Information the biller or merchant needs to obtain
- Data formats to be used to collect funds
- Obligations and warranties for the biller/merchant bank, and customer's bank
- and much more

What is an Authorization?

“An Originator must obtain authorization from the Receiver to originate one or more Entries to the Receiver’s account.”

*2018 NACHA Operating Rules, Article Two,
Subsection 2.3.1*

What is an Authorization?

- Clear and conspicuous
- Complete terms
 - Amount
 - Timing
 - Account information
 - Revocation
- Recognizable as an authorization

What is a Debit Payment?

In a DEBIT ACH payment, the merchant/biller “pulls” funds from the customer or buyer’s bank account for transfer to the seller’s bank account.



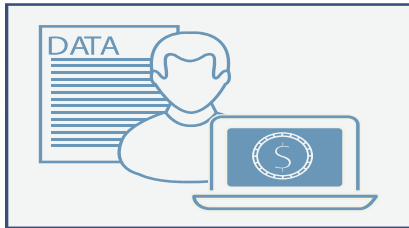
What is a Credit Payment?

In a CREDIT ACH payment, the customer or buyer “pushes” funds from the customer/buyer’s bank account to a biller/merchant’s bank account.



The ACH Network Advantage

BUYER/PAYER



BENEFITS:

- Streamlined supplier payment process
- Ubiquitous remit delivery
- Reduced cost & effort
- Guaranteed on-time delivery
- Secure
- Standard

ACH

Dollars and Data



FORMAT OPTIONS:

- Free-form text
- XML
- EDI
- STP820

STANDARDS BASED:

- X12
- ISO 20022
- NACHA

SUPPLIER/RECEIVER



BENEFITS:

- Dollars and data together
- Guaranteed remit receipt
- Improved data accuracy
- Reduced data entry cost
- Standardized cash application
- Better cash forecasting
- Standard



Moving Your Business Forward



- Leverage the ubiquitous reach and cost effectiveness of the ACH Network
- Maximize ACH usage across different parts of your business

ACH Payers and Receivers



Governments



Consumers



Businesses

Consumers



- Bill payment
- Payroll direct deposit
- Bonuses and commissions
- Travel and expense reimbursements

Consumers



- 401k disbursements
- Wage garnishments
 - *Third-Party Tax Payments Banking Convention (TPP)*
- Child support payments
 - *Child Support Banking Convention (DED)*

Businesses



ACH has three different options (“Standard Entry Class Codes”) for sending B2B payments

- All 3 options provide typical “check” information (e.g., who is paying, who is being paid, amount, date)
- The difference is the amount of additional remittance information being included

Businesses



- CCD (Corporate Credit or Debit) – does not support additional remittance information)
- CCD plus (Corporate Credit or Debit plus one addenda (i.e., 80 characters of remittance information)
- CTX (Corporate Trade Exchange) – supports 800,000 characters of remittance information

Businesses



- Vendor payments
- Cash concentration and disbursement
- Charitable contributions
- Tax payments
 - Tax Payment Banking Convention (TXP)

Innovation

- Ongoing ACH Rules changes
 - create value
 - reduce friction
 - Improve Network utility
- Latest updates

Resources

- General information, new and upcoming rule changes
 - nacha.org
- *NACHA Operating Rules*
 - nachaoperatingrulesonline.org
- Banking conventions for tax payments and child support
 - <https://www.nacha.org/content/industry-needs>
- More information on electronic payments
 - <https://electronicpayments.nacha.org/>

Questions?

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