

2011 NACHA ACH Update
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EVP / Strategic Directions
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Number of noncash payments (in billions)& rate of change

Instrument	2000	2003	2006	2009	CAGR (2000-03)	CAGR (2003-06)	CAGR (2006-09)
Total	72.5	81.4	95.2	108.9	4.0%	4.5% ¹	4.6%
Checks paid	41.9	37.3	30.5	24.4	-3.8%	-6.5%	-7.2%
ACH	6.2	8.8	14.6	19.1	12.1%	18.7%	9.3%
Credit card	15.6	19.0	21.7	21.6	6.7%	4.6%	-0.2%
Debit	8.3	15.6	25.0	37.9	23.5%	17.1%	14.8%
Signature	5.3	10.3	15.7	23.4	24.9%	15.1%	14.3%
PIN	3.0	5.3	9.4	14.5	21.0%	20.6%	15.6%
Prepaid	NA	NA	3.3	6.0	NA	NA	21.5%
EBT	0.5	0.8	1.1	2.0	15.4%	10.0%	21.4%
Other prepaid	NA	NA	2.2	4.0	NA	NA	21.5%

Figures may not add due to rounding.

SOURCE: Federal Reserve Payments Study

¹ The growth rate has been adjusted for comparability, because the 2004 study did not attempt to estimate all 2003 prepaid card transaction volume.



Value (in trillions) of noncash payments & rate of change

Instrument	2000	2003	2006	2009	CAGR (2000-03)	CAGR (2003-06)	CAGR (2006-09)
Total	\$60.0	\$67.6	\$75.8	\$72.3	4.1%	3.9%	-1.6%
Checks paid	\$39.8	\$41.1	\$41.6	\$31.6	1.1%	0.4%	-8.8%
ACH	\$18.6	\$24.1	\$31.0	\$37.2	9.1%	8.8%	6.2%
Credit card	\$1.3	\$1.7	\$2.1	\$1.9	9.9%	7.8%	-3.4%
Debit	\$0.3	\$0.6	\$1.0	\$1.5	21.9%	15.5%	14.4%
Signature	\$0.2	\$0.4	\$0.6	\$0.9	26.7%	13.5%	11.1%
PIN	\$0.1	\$0.2	\$0.3	\$0.6	13.9%	19.5%	17.3%
Prepaid	NA	NA	\$0.1	\$0.1	NA	NA	22.4%
EBT	\$0.0	\$0.0	\$0.0	\$0.1	16.2%	11.1%	22.6%
Other prepaid	NA	NA	\$0.0	\$0.1	NA	NA	22.3%

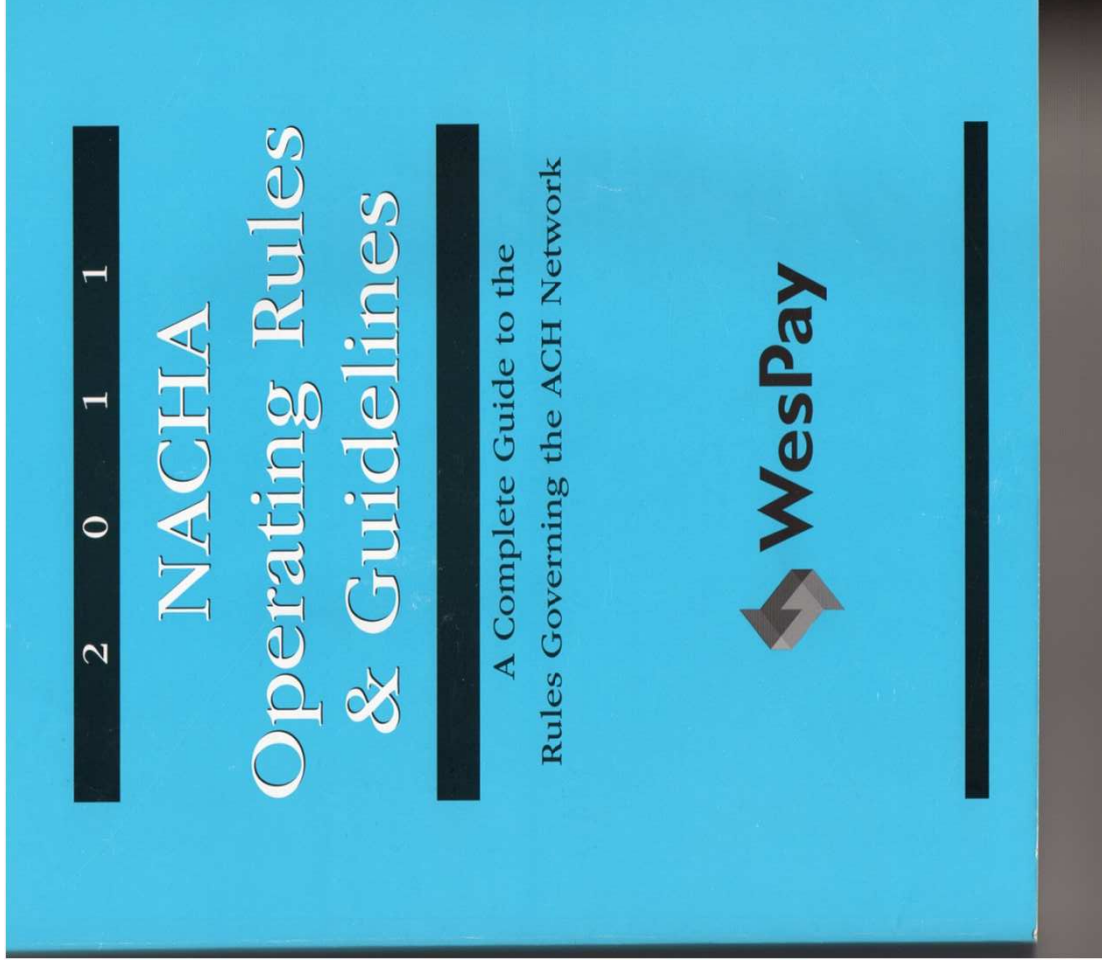
Figures may not add due to rounding.

SOURCE: Federal Reserve Payments Study



Recent & Upcoming ACH Rule Changes

- Rules Simplification
- Mobile ACH Authorizations
- Elimination of ARC & BOC Opt-Out
- Recurring Telephone Authorizations
- Collection of Return Fees Using ACH



Still Waiting

- Long term initiatives beginning to gain some traction:
 - IAT (International ACH Transactions)
 - SVP (Secure Vault Payments)
 - EBIDS (Electronic Bill Information Delivery Service)

Same Day ACH

- NACHA recently completed and industry survey to ask financial institutions whether the value exceeds the costs
- Concerns
 - May lose wire and interchange revenue
 - Processing schedules change dramatically
- Benefits
 - Opportunities for new value added services and product differentiation
 - Potential sources of new fee income
 - Enhanced customer service and retention
 - Improved error correction capabilities
 - Increased contingency and business continuity capabilities
 - Load balancing and other operational efficiencies
 - Cost avoidance (e.g., replacing teller line cash and check deposits with electronic deposits)
 - Super-Prenotes?



Terminated Originator Database

- Officially rolled out at Payments Conference in April
- Compliments Originator Watch List (OWL)
 - ODFI opts to participate
 - ODFI provides reason for termination
 - ODFI does not have to report all terminated originators
 - At FI's discretion
 - Has cross-reference with names & TIN – Helps to identify when owner changes company name to avoid detection
 - If an originator is listed, that does not prohibit another ODFI from accepting the business
 - Solely used as a tool for the decision process
- <http://www.nacha.org/c/Terminated-Originator-Database.cfm>

Healthcare Payments

- PPACA (Patient Protection and Affordable Care Act)
- NCVHS (National Committee on Vital and Health Statistics)
 - Recommended to the department of Health & Human Services that NACHA is the primary network for the delivery of payments in the health care industry
 - ACH is inexpensive, efficient and has a strong rule set
- Watch for new rules from both the Healthcare Industry and NACHA to support healthcare payments
- Most likely CCD and CTX formats will be used, but with possible alterations or new rules

Corporate Account Hijacking

- Although the number of incidences has dropped, corporate account takeover and subsequent losses continues to occur
- Request for Comment
 - ODFI required to provide Originator with annual update on sound practices to prevent unauthorized ACH credit files
 - RDFI would be allowed to hold funds of received credit if a reasonable suspicion that credit is fraudulent

Is This the End of Checks?

- The Last Check
- Currently, 95% of interbank checks are exchanged as images
- Estimated market penetration for Remote Deposit Capture (RDC) is 15% - 19% of businesses, SME market remains untapped
- United Kingdom attempt to abolish cheques by 2018 has met some resistance



No, but this is the end of my presentation. Thank you for attending.

- Questions?
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