Mid-Atlantic AFP
ASSOCIATION FOR FINANCIAL PROFESSIONALS

MAAFP
January 2019

The ACH Today & Beyond 2020

Kimberly W. Rector, AAP
MACHA – The Mid-Atlantic Payments Association
www.macha.org

MACHA
THE MID-ATLANTIC PAYMENTS ASSOCIATION

NACHA DIRECT MEMBER
Regional Payments Association℠

Uber Taps NASA Aircraft

www.pymnts.com/innovation/2017/uber-taps-nasa-aircraft-engineer-to-lead-flying-car-push/

PYMNTS.com

what's next in payments and commerce

TODAY'S NEWS | OPINION | DATA & RESEARCH | INDEXES | TRACKERS | LIVE SHOWS | EVENTS | PAY-OLOGY

INNOVATION

Uber Taps NASA Aircraft Engineer To Lead Flying Car Push

By PYMNTS

Posted on February 7, 2017

Secure | https://www.pymnts.com/innovation/2018/rolls-royce-flying-taxi/

PYMNTS.com

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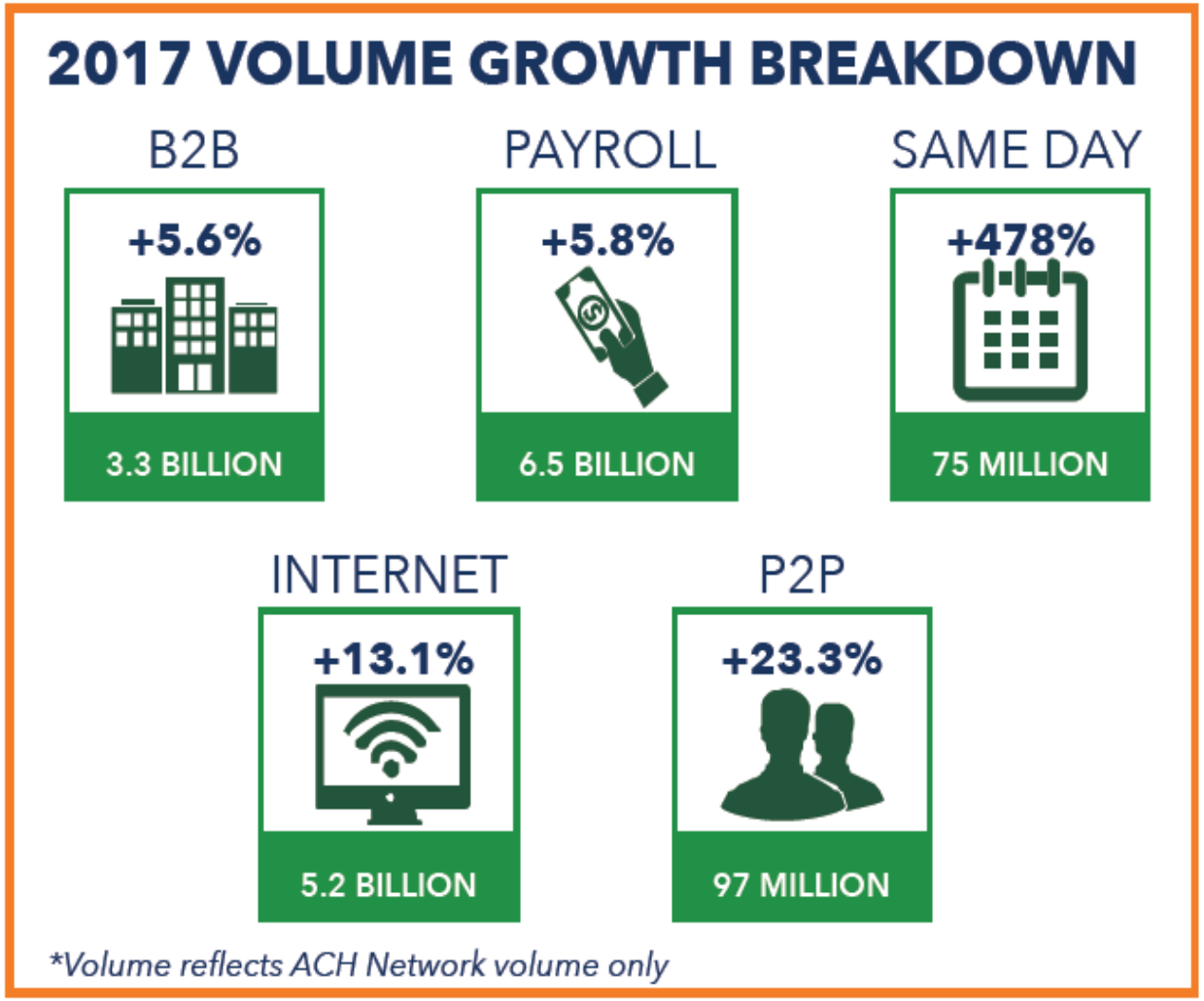
INNOVATION

Rolls-Royce Looking For Flying Taxi Partners

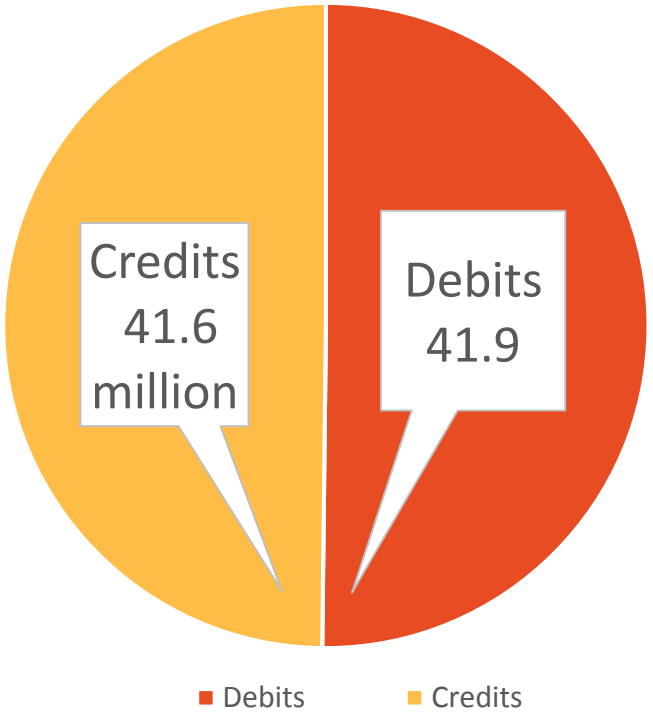
By PYMNTS

Posted on July 16, 2018

ACH Payment Volume = 25+ Billion = 2017

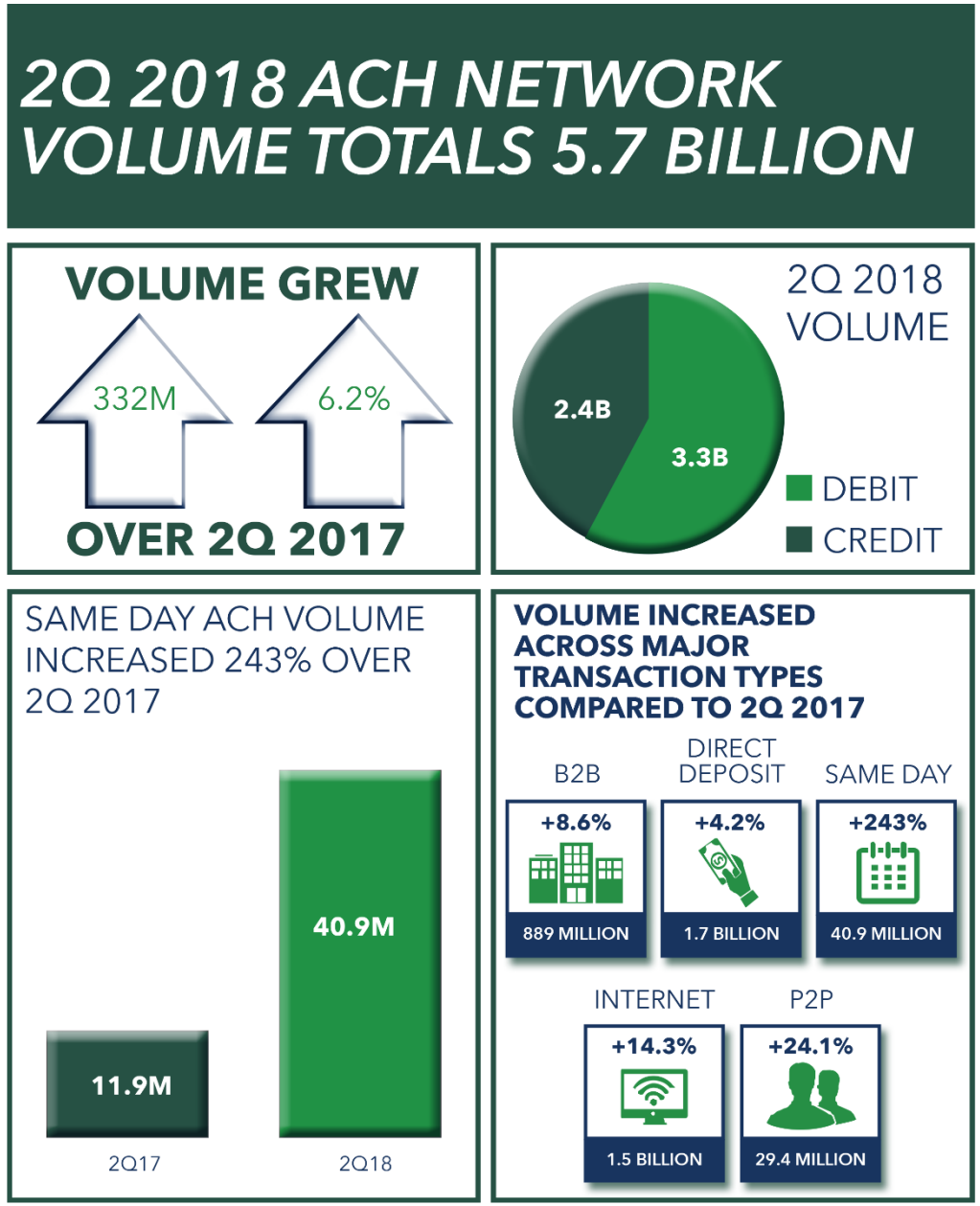


Same Day ACH First Half of 2018



2017 = 75 million Same Day ACH

One of the Highest Growth Rates since 2008



NACHA
The Electronic Payments Association®

704-18-13

Same Day ACH Refresher - Currently

1.4 Billion	• Estimated Number of Same Day ACH by 2027
60%	• Volume Expected from Existing ACH
5.2 cents	• Per Transaction Fee paid by ODFIs to RDFIs
3	• Number of Final Settlements Each Day
$25,000	• Dollar limit of individual ACH entries eligible • No IAT entries
3 Phases	• Implementation occurred over 3 years • 2016-2018 (March 2018 = 5:00 pm funds availability)

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Same Day ACH – Big Changes

Add Additional Settlement Window

- Deposit Deadline 4:45 pm ET
- Settlement 6:00 pm
- Funds availability = End of Day
- September 2020 or March 2021

Increase Dollar Limit

- $25,000 to $100,000 per entry
- March 2020

Additional Funds Availability

- Same Day ACH settlement of 1:00 pm
- Funds availability for credits at 1:30 pm
- September 2019

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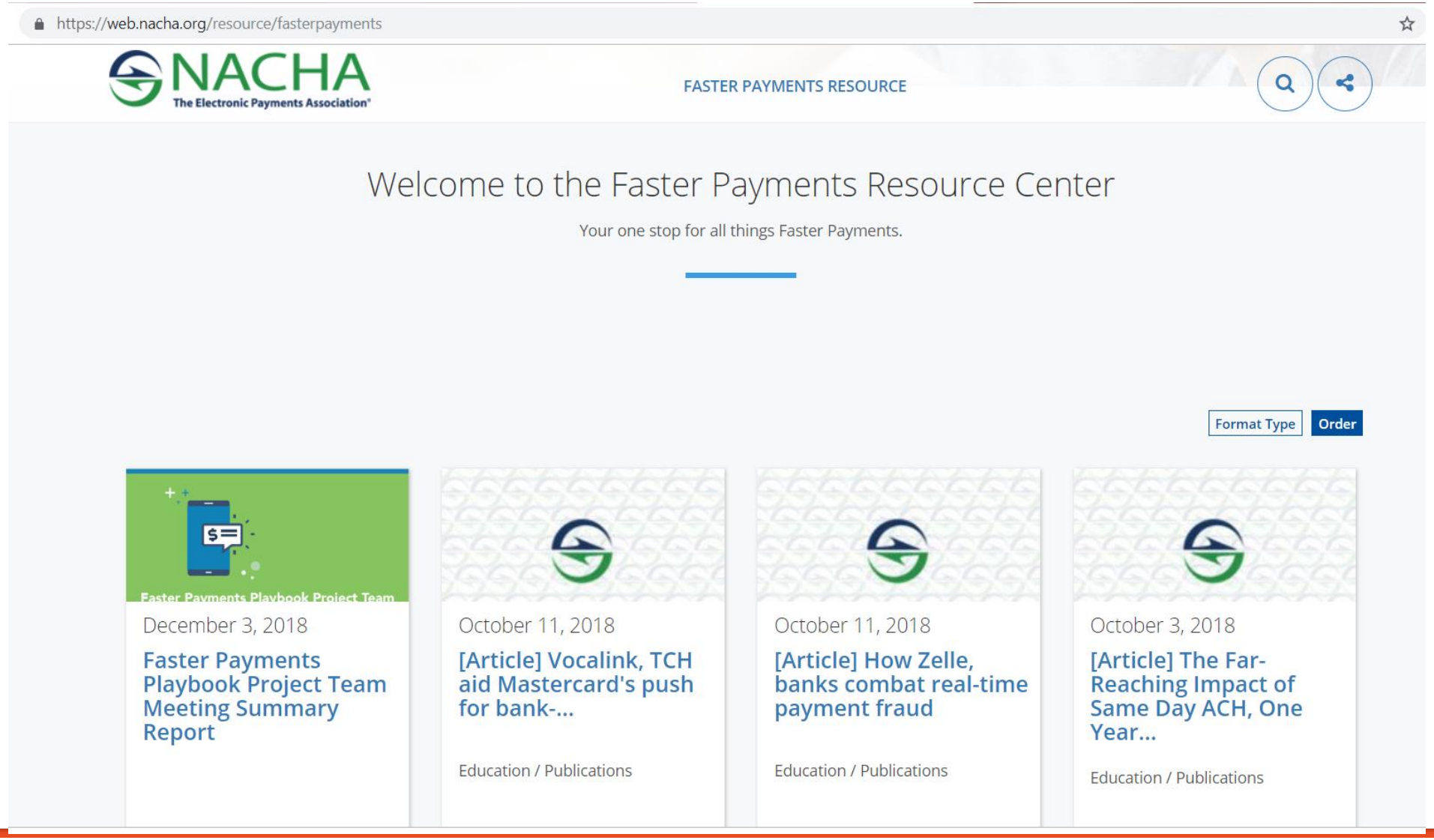
SDA - What it will look like

Functionality	Same Day ACH Processing
Transaction Eligibility ($25,000 limit $100,000 after March 2020, IAT not eligible)	Credits and debits
Same Day ACH Processing Deadlines	10:30 AM ET 2:45 PM ET 4.45 PM ET Sept 2020 or March 2021
Settlement Time(s)	1:00 PM ET ** 5:00 PM ET 6:00 PM ET
ACH Credit Funds Availability	**1:30 PM RDFI local (Sept 20, 2019) 5:00 PM RDFI local End of Day local

https://web.nacha.org/resource/fasterpayments



Fraud Detection for WEB entries

- Effective January 1, 2020
- Account Validation as part of the "fraudulent transaction detection system"
  - Fraud prevention
- Applies to **new or changed** account information on **WEB** (Internet-Initiated) entries
- Processes could include:
  - Prenote
  - Micro-transactions
  - Marketplace systems for account validation

Why:
"The Government Will Pay Your Bills"

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Data Security Requirements

- Effective June 30, 2020
- Non-FI Originators, Third-Party Service Providers, Third-Party Senders
- Protect **account numbers** by making them **<u>unreadable when stored electronically</u>**
  - 2019 volume exceeds 6 million entries, by June 2020
  - 2020 volume exceeds 2 million entries, by June 30, 2021
- Rules requirement is neutral on method/technology
  - Encryption, truncation, tokenization, etc

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ISO 20022 & The ACH Network

Mapping Guide & Tool | NACHA - Google Chrome

National Automated Clearing House Association [US] | https://www.nacha.org/content/iso-20022-mapping-guide-tool

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ISO 20022 Mapping Guide & Tool

ISO 20022-to-ACH Mapping Guide: Standardizing and Streamlining Processes while Supporting Integration of ISO 20022 in the U.S. ACH Network
NACHA's ISO 20022-to-ACH Mapping Guide & Tool: enables financial institutions to support businesses that leverage ISO 20022 by providing standardized guidance to facilitate translation of ISO 20022 pain.001 (credit) and pain.008 (debit) messages into ACH transactions, and by providing standardized guidance for translating ACH reject/return messages to corresponding ISO 20022 payment status and treasury reporting messages (pain.002 and camt.053).

About ISO 20022 and NACHA's ISO 20022 Mapping Guide & Tool
ISO 20022, which was developed by the International Organization for Standardization (ISO), is the global messaging standard for financial business transactions, including payments. Today, many multinational companies are utilizing this standard as part of their accounts payable, accounts receivable and treasury functions. In order to facilitate the integration of ISO 20022 payment messages, NACHA has developed an ISO 20022-to-ACH Mapping Guide & Tool to assist financial institutions in translating ISO 20022 instructions for their corporate customers into ACH transactions.

How it Works
Utilizing the ISO 20022-to-ACH Mapping Guide & Tool, financial institutions can receive an ISO 20022 pain.001 or pain.008 message and translate the messages to corresponding ACH Network business and consumer transactions, including CCD, CTX, PPD, IAT and Same Day ACH. The ISO 20022-to-ACH Mapping Guide & Tool also facilitates the translation of ACH return/reject transactions to corresponding pain.002 and camt.053 messages to support clients that wish to receive ISO 20022 messages for these use cases. As part of its ISO 20022 integration strategy for the ACH Network, NACHA will continue to explore options to extend its mapping guidance to address additional industry needs to help bring the benefit of consistency to all organizations and payments.

Fedwire will start adoption ISO 20022 in 2020:

https://www.frbservices.org/resources/financial-services/wires/iso-20022-implementation-center.html

Legacy System Solutions

NACHA Launches Afinis Interoperability Standards for Financial Services

September 5, 2018

Afinis is a membership-based standards organization that brings together diverse collaborators – through innovative and agile processes – to develop implementable, interoperable, and portable standards across operating environments and platforms.

www.afinis.org

API Development

Get Transaction Status: This API use case allows an Originator of a transaction to check the status of a submitted payment instruction.

B2B Payments Interoperability: This API use case allows a company to obtain correct payment information and remittance requirements to pay another company.

Initiate Payment: Standardized APIs allow businesses to submit payment instructions without having to access multiple systems and track scheduling. Businesses gain consistency and continuity across multiple bank relationships, improved reporting, and access to faster payments.

Sidebar

- Cash is still a preferred method
- 1/3 consumer payments in U.S.
  - Perception – safer
    - Better Budgeting
    - Immediacy
    - Even Millennials

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“ubiquitous faster payments capabilities in the U.S. by 2020” *– The Federal Reserve’s Governance Framework Formation Team*

Federal Reserve Faster Payments Task Force

Outcomes

- Speed
- Security
- Efficiency
- International
- Collaboration

Strategies

- Engage stakeholders
- Identify effective approaches
- Reduce fraud
- Efficiency for domestic & cross border
- Enhance FRB settlement & risk services

Priority Focus

- Rules
- **Governance**
- Infrastructure
- Sustainability

"Directory Models"

https://fasterpaymentscouncil.org/#guiding-principles

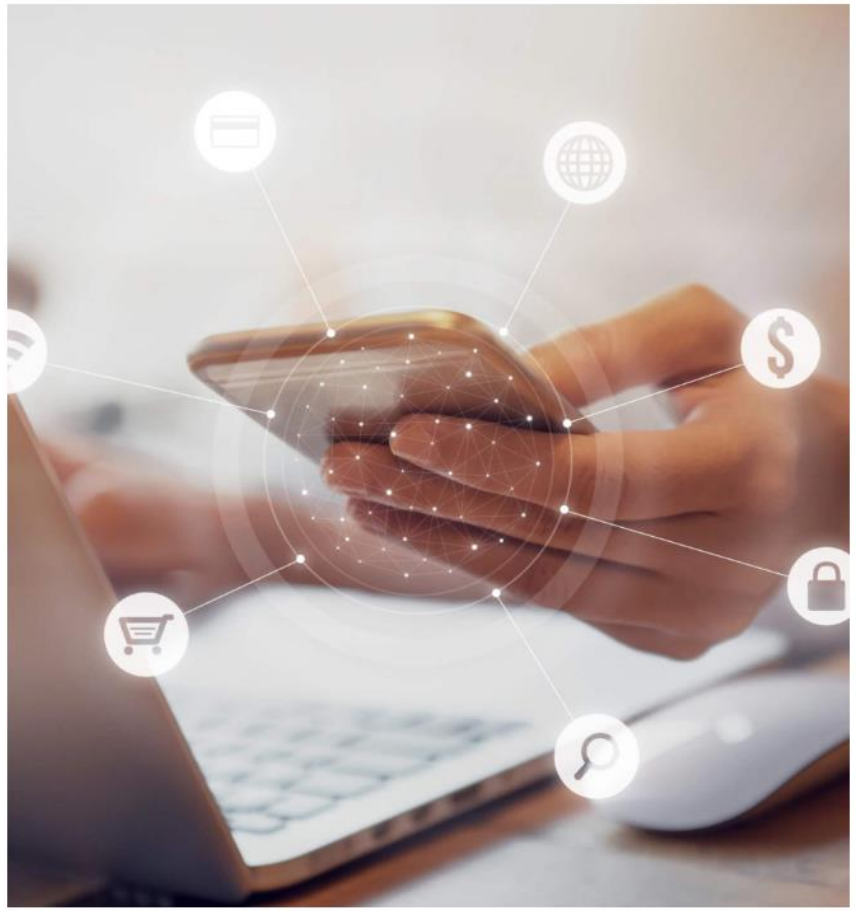
The Path To Faster Payments Ubiquity Starts With You

Do you want a hand in shaping the future of the nation's payments system? The U.S. Faster Payments Council (FPC) is a new membership organization established so Americans can safely and securely pay anyone, anywhere, at any time and with near-immediate funds availability.

FPC members use private-sector approaches to address issues that inhibit adoption of faster payments, and enable end users to reach each other in ways as seamless and transparent to them as mobile texting.

The FPC gives members an edge in navigating the evolving faster payments landscape:

- Focus on the larger goals of safety, security and adoption of all faster payments
- Opportunities to broaden their reach and leverage investments across a much broader base of transactions
- Safe forums for dialogue governed by strong antitrust guard rails



https://www.federalreserve.gov/apps/foia/ViewComments.aspx?doc_id=OP-1625&doc_ver=1

Comments were due December 14, 2018

Fedpaymentsimprovement.org

"Views are being sought on two potential actions that may support the further development of faster payments in the United States while increasing the resiliency and security of services offered to the public: 1) the development of a service for real-time interbank settlement of faster payments 24 hours a day, seven days a week, 365 days a year (24x7x365); and 2) the creation of a liquidity management tool that would enable transfers between Federal Reserve accounts on a 24x7x365 basis to support services for real-time interbank settlement of faster payments, regardless of whether those services are provided by the private sector or the Federal Reserve Banks. The Board is not committing to any specific action and is seeking input on which, if any, actions the Federal Reserve should take."

The New Rail is Operational

- The Clearing House – goal of ubiquity by 2020
- **RTP**
- https://www.theclearinghouse.org/payment-systems/rtp/

"BY THE END OF 2018, HALF OF U.S. ACCOUNT HOLDERS WILL BE READY FOR RTP PAYMENTS, AND SYSTEMWIDE UBIQUITY IS WITHIN REACH" – The Clearing House

New

The system is all new, built for a digital economy.

- 24 x 7 x 365
- Fast and final
- Modular architecture to adapt to changing needs

Read More

Better

Banks are combining payments, data and messaging capabilities to create services like:

- Business invoicing
- Just-in-time supply orders
- Insurance claim disbursements

Read More

For All

TCH's Real-time Payments System will be open to all U.S. depository institutions

Consistent with Federal Reserve and CFPB guidelines

Compatible with global standards

Read More

Technology & Crime & Payments

Cyber theft fastest growing type of crime in U.S.
Estimates of damages $6 Trillion by 2021

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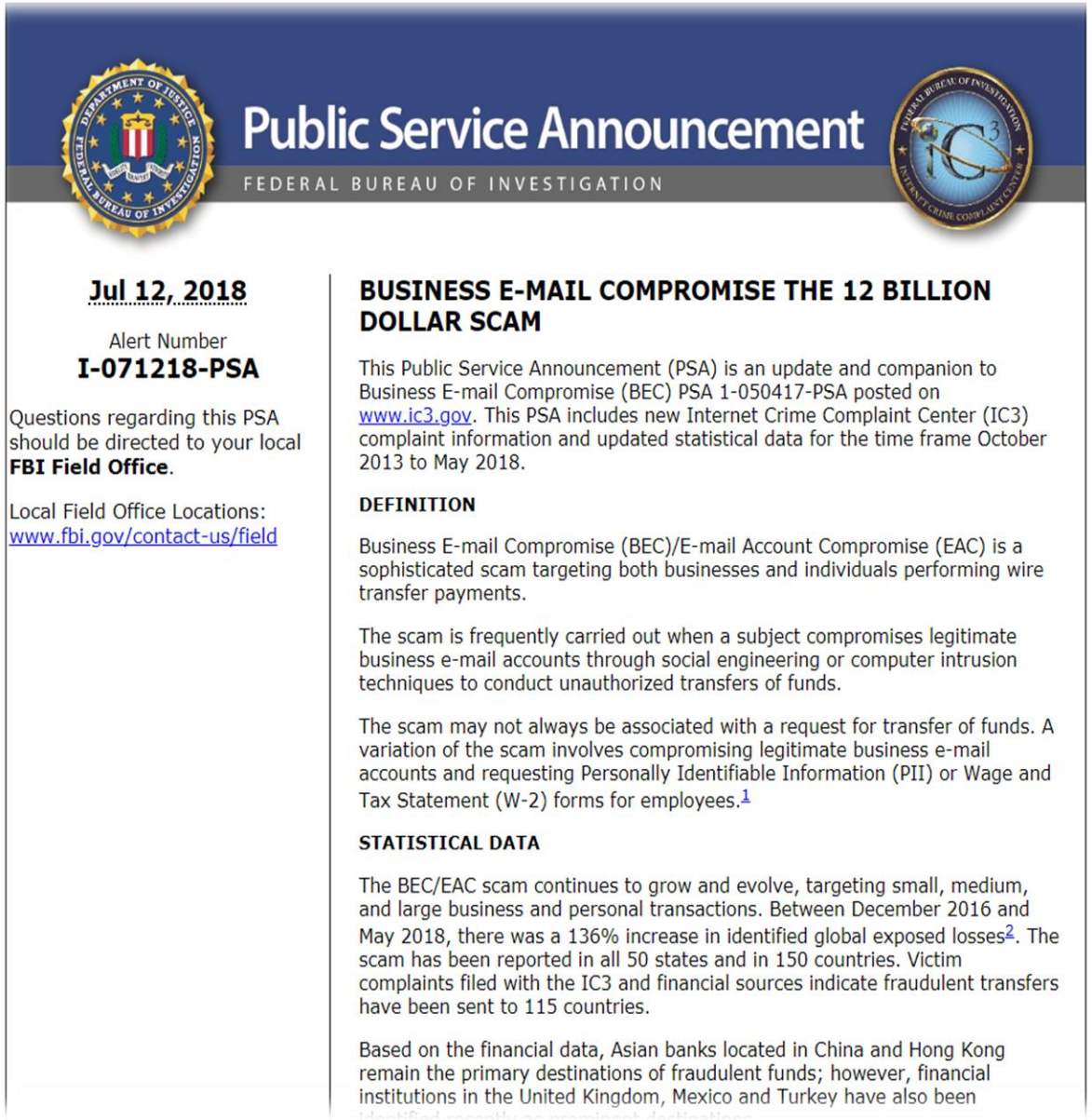
Very Scary, Very Successful

- A **business email compromise** (BEC) is an exploit in which the attacker gains access to a corporate **email** account and spoofs the owner's identity to defraud the company or its employees, customers or partners of money.

Real Estate Transactions being targeted



Public Service Announcement

FEDERAL BUREAU OF INVESTIGATION

Jul 12, 2018

Alert Number
I-071218-PSA

Questions regarding this PSA should be directed to your local **FBI Field Office**.

Local Field Office Locations: www.fbi.gov/contact-us/field

BUSINESS E-MAIL COMPROMISE THE 12 BILLION DOLLAR SCAM

This Public Service Announcement (PSA) is an update and companion to Business E-mail Compromise (BEC) PSA 1-050417-PSA posted on www.ic3.gov. This PSA includes new Internet Crime Complaint Center (IC3) complaint information and updated statistical data for the time frame October 2013 to May 2018.

DEFINITION

Business E-mail Compromise (BEC)/E-mail Account Compromise (EAC) is a sophisticated scam targeting both businesses and individuals performing wire transfer payments.

The scam is frequently carried out when a subject compromises legitimate business e-mail accounts through social engineering or computer intrusion techniques to conduct unauthorized transfers of funds.

The scam may not always be associated with a request for transfer of funds. A variation of the scam involves compromising legitimate business e-mail accounts and requesting Personally Identifiable Information (PII) or Wage and Tax Statement (W-2) forms for employees.[1]

STATISTICAL DATA

The BEC/EAC scam continues to grow and evolve, targeting small, medium, and large business and personal transactions. Between December 2016 and May 2018, there was a 136% increase in identified global exposed losses[2]. The scam has been reported in all 50 states and in 150 countries. Victim complaints filed with the IC3 and financial sources indicate fraudulent transfers have been sent to 115 countries.

Based on the financial data, Asian banks located in China and Hong Kong remain the primary destinations of fraudulent funds; however, financial institutions in the United Kingdom, Mexico and Turkey have also been

Payments Headline Not Really Seen Before

CanPay Expands Marijuana Mobile Payments to Oregon

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Chip Technology & Payments ?!?!?!?!?!

Three Square Market, will begin offering its employees **implanted** chip technology that will allow them to make cardless food purchases break room, unlock doors, computers, copiers

RFID, size of a grain of rice, **implanted** under the skin between thumb and forefinger

Company states that chip is not trackable…….

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Talking Payments

MACHA

The Mid-Atlantic Clearing House Association, Incorporated, trading as MACHA - The Mid-Atlantic Payments Association is a member-based organization recognized as the premier resource for information related to all payment rules and networks.

MACHA is a Regional Payments Association established in 1975 that serves financial institutions, businesses, and municipalities in Maryland, the District of Columbia, Delaware, Northern Virginia, Northeast West Virginia, and Southern Pennsylvania.

Our mission is to increase the understanding and use of payment networks by providing education, operational support, and advocacy to payments professionals.

MACHA shares a common strategy with its membership in the pursuit of maximized business efficiencies, improved and evolving payment processes, reduced risk and cost, and increased participant satisfaction. MACHA is a certified ECCHO Check Educational Partner and as a Direct Member Regional Payments Association of NACHA, is a specially recognized and licensed provider of ACH education, publications, and support.

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