

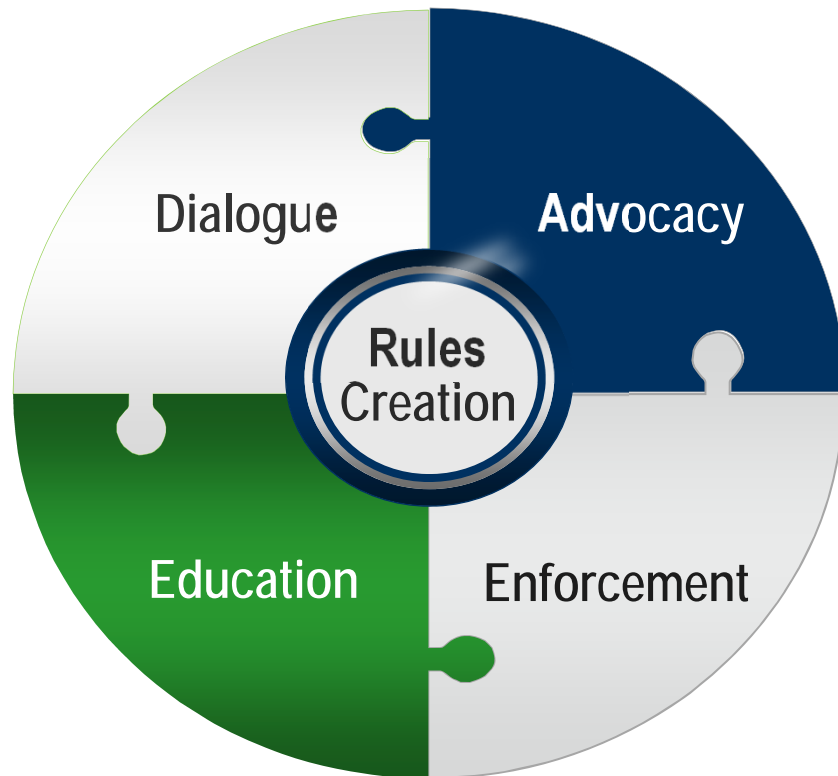
*DATA Act:
Considerations for Rules and Standards –
Bringing Diverse Stakeholders Together*

May 1, 2015

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President and CEO

NACHA – The Electronic Payments Association

NACHA – A non-profit association with core competencies in rulemaking, education and facilitation



NACHA brings together diverse parties to develop rules and standards for various payments:

- *NACHA Operating Rules* for electronic funds transfer payments via the ACH Network
- Rules-based frameworks for opt-in programs (EBIDS, SVP, DCT, XML, BPE, IRS tax refunds)
- Banking conventions for child support and tax payments
- Quest Operating Rules for electronic benefits – EBT
- Standards organization for healthcare EFT named via the Affordable Care Act (PPACA)

NACHA's historic role includes bringing together diverse stakeholders for various payment-related initiatives

ACH

NACHA develops rules for the ACH Network. Input provided by a broad set of industry participants. Rules voted on by Direct Member FIs, and Regional Payment Associations representing 10,000 FIs.

EBT

NACHA developed rules for Electronic Benefits Transfer – QUEST rules. Input provided by every state utilizing the QUEST mark. Rules voted on by NACHA Board and ratified via vote by each participating state.

HC
EFT

NACHA was named Healthcare EFT standards organization by Health and Human Services. Collaborated with healthcare rules organization and received input from HC industry on standard before affirmed by H&HS.

Gov
Pay

NACHA develops banking conventions in collaboration with the Federation of Tax Administrators, Committee on State Taxation, state revenue authorities and the federal Office of Child Support Enforcement (OCSE) to support payment standards for state tax, child support and garnishment payments.

XML

NACHA works with other standards bodies such as ISO 20022, IFX Forum, X9, and Common Global Implementation to develop international XML standards and facilitate their use in the ACH Network.

The ACH Network – Replacing paper checks for 40 years, with more than 70 MM transactions every day

Direct electronic movement of money
and related information

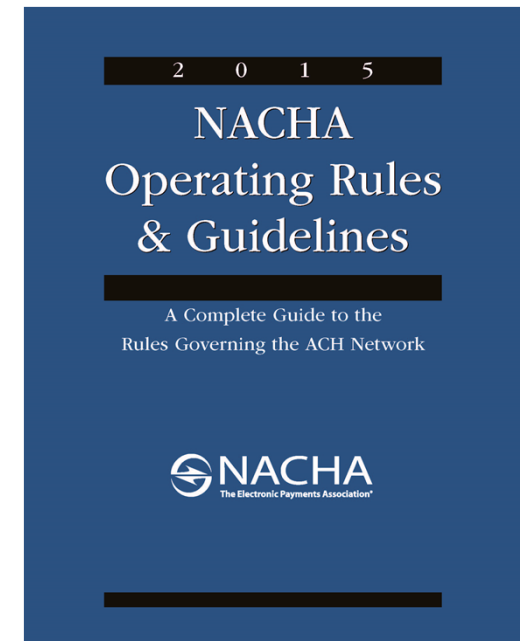


For consumers, businesses and government

Connecting 12,000 financial institutions, and millions of their end-user accounts

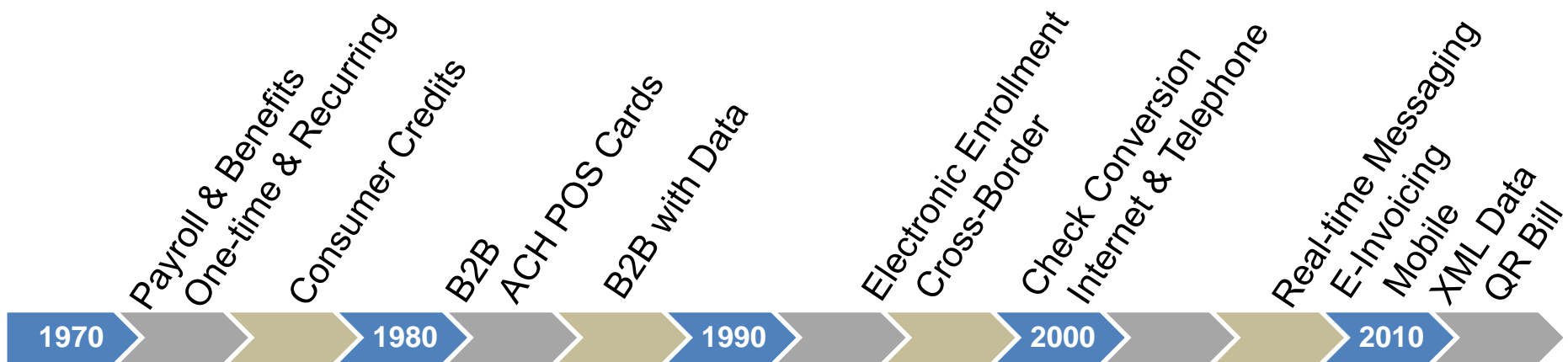
What is covered in our ACH payment system rules?

- Establish the legal foundation for the ACH Network that applies to all entries flowing between ACH participants – thereby establishing certainty and surety
- Provide formatting requirements and specifications for interoperability – thereby providing data integrity
- Prescribe the roles and responsibilities of parties to the transaction through a flow of warranties
 - Describe different types of transactions for different types of users and the requirements of each
 - To use the correct format (SEC code), in compliance with the *Rules*
- Describe rules enforcement and the National System of Fines as the enforcement mechanism to help ensure compliance with the *NACHA Operating Rules*



Evolution of the ACH Network

- The ACH Network has effectively evolved over the last 40 years, and will continue to evolve into the future



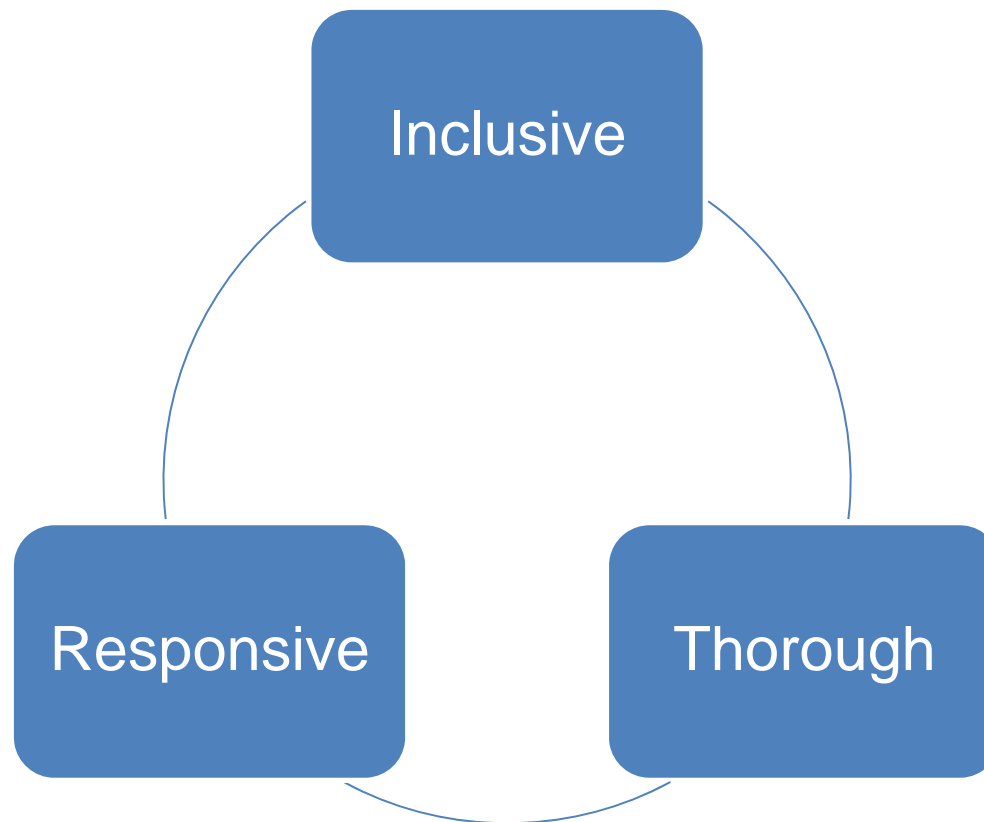
Operating Rules Incorporate Standards

- Standards provide technical formatting requirements
- *NACHA Operating Rules* delineate
 - Roles
 - Rights
 - Responsibilities
 - Requirements...and incorporate the standards
- Both work together to establish certainty, thereby creating value for all Network participants

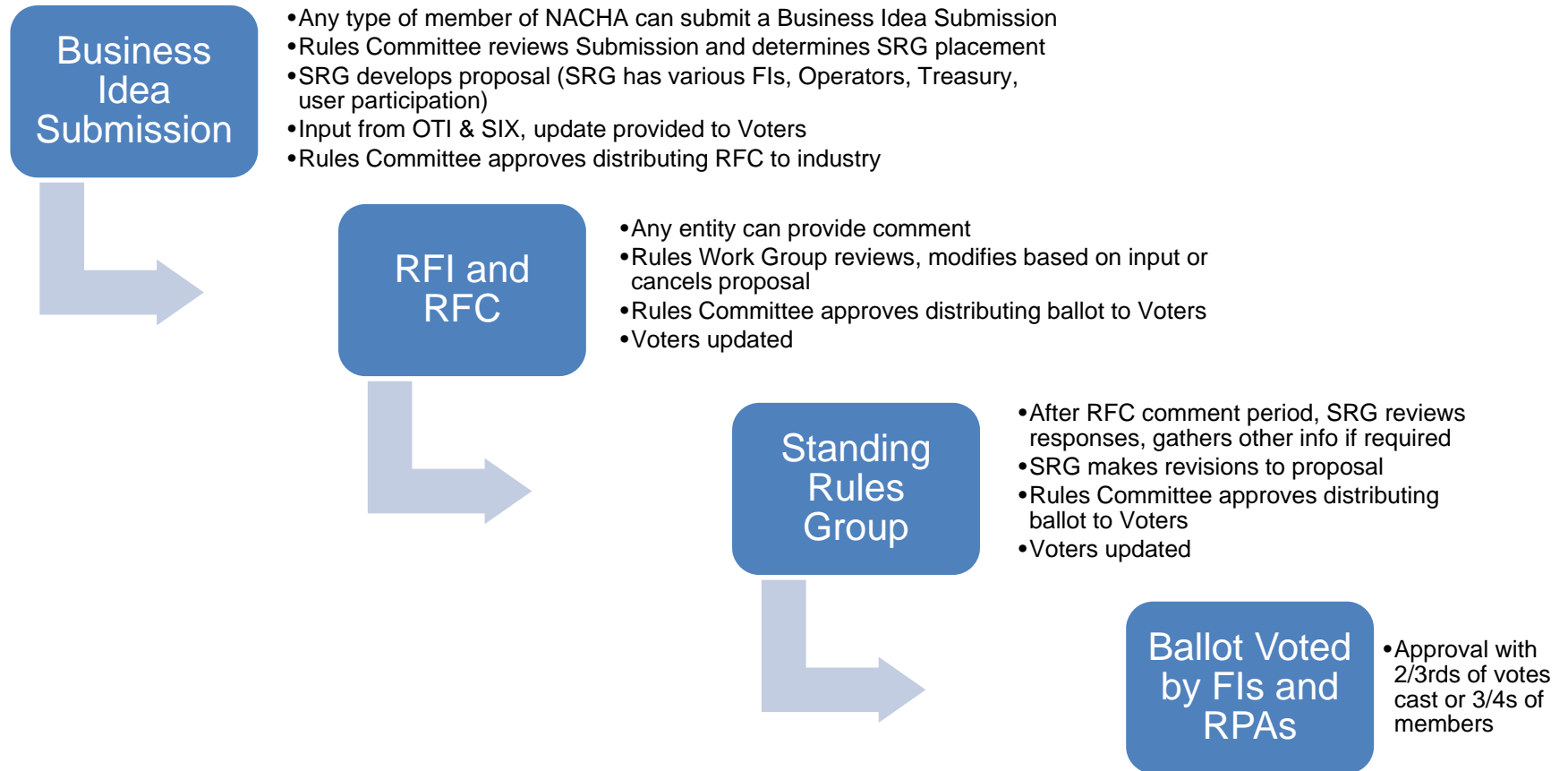
NACHA Rulemaking

- Deliberative, transparent and inclusive process that considers all viewpoints
 - Similar to Federal agencies' process under the Administrative Procedures Act
- All Network participants have an opportunity to be heard and comment on proposed rule changes
- *Rules* work in concert with laws and regulations, and fluidly adapt over time as there are changes in regulations, technology, and needs of end users
- Education and communication ensure that rules and changes are understood and incorporated by all

Finding the Right Balance



The rulemaking process includes many steps with input from various parties as rule development progresses



Benefits of Private-sector Rulemaking

- Enhancements to the *NACHA Operating Rules* and standards have continuously been made over time to accommodate:
 - Industry and regulator requests
 - Changing regulations
 - Technology and innovation
 - End user needs
- Private-sector rulemaking has allowed the financial services industry to:
 - Foster innovation
 - Enable efficiency
 - Ensure interoperability
 - Create certainty

Lessons Learned

- Operating rules can drive efficiencies and value
- Balance and adaptability are important
- Evolve over time – rigid timelines and processes may not be the most efficient
- Start early and be adaptive
- All processes need to be inclusive, and education is required
 - Reach out to and include all impacted parties