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By electronic delivery
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October 16, 2009

Maribel Bondoc
Manager, Network Rules
NACHA, The Electronic Payments Association
13450 Sunrise Valley Drive
Herndon, VA 20171

Re: Request for Comment: Mobile ACH Payments

Dear Ms. Bondoc:

The American Bankers Association (ABA)¹ respectfully submits its comments to NACHA, The Electronic Payments Association, on the Request for Comment: Mobile ACH Payments (RFC). The RFC proposes to establish a framework in the NACHA Operating Rules for mobile payments. The proposal would expand the current definition of the Web Initiated Entries (WEB) Standard Entry Class (SEC) Code to include entries authorized and/or initiated by mobile devices. NACHA proposes this as an interim solution while it studies the evolution of mobile payments to determine if an entirely separate SEC Code is warranted.

Overview

This proposal serves as recognition that the number of mobile ACH payments being generated is growing, but that the technology is not yet mature. The rule change would require that certain transactions initiated or authorized by mobile devices that fall under an expanded definition of WEB entries would be coded as WEB entries. Currently, the NACHA Operating Rules do not provide guidance on the proper codes to assign to transactions initiated via mobile devices. As a result, these transactions that have similar risks are not transacted under a consistent SEC Code. This proposal would provide a short term solution for debit entries initiated through mobile devices using an expanded definition of the WEB SEC Code.

¹ The ABA brings together banks of all sizes and charters into one association. The ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$13.3 trillion in assets and employ over 2 million men and women.

Currently, mobile devices are initiating ACH payments using a variety of SEC Codes including Customer Initiated Entries (CIE), Prearranged Payment and Deposit Entries (PPD), Telephone Initiated Entries (TEL), and WEB. These SEC Codes are used because the NACHA Operating Rules do not provide direction to financial institutions regarding transactions generated by mobile devices.

By grouping all mobile device initiated payments under the WEB SEC Code NACHA hopes to improve the risk management practices of these transactions. The WEB SEC Code contains additional security procedures and obligations that are not required for transactions with other SEC Codes. NACHA believes that it makes more sense to group transactions initiated or authorized via a mobile device with those that are generated via the Internet (WEB). Transactions initiated or authorized over the telephone based on voice instructions or touch tone key entry or by standard paper authorizations would continue under the existing coding structure.

Comments

ABA supports the interim solution proposed in the Mobile ACH Payments RFC as an improvement over the current uneven application of SEC Codes to similar payments while recognizing that this does not provide a long term solution and that the emerging mobile technology marketplace will need to be monitored closely to close the gaps of this proposed code accommodation.

The proposal to expand the WEB SEC Code definition to include debits initiated or authorized by a mobile device should be adopted as proposed. This will allow for a more uniform grouping of these payments allowing financial institutions to manage their risk better and to allow for improved data gathering on these payments. The additional data will be of great assistance as a long term solution is considered.

ABA supports the proposal to expand the definition of the current WEB SEC Code, instead of creating a new Mobile SEC Code. It is too early in the process to justify the expense of a new SEC Code. The short term solution will allow time for the payment industry to review the maturation of mobile payments and develop a long term solution that will cover all aspects of these payments. The rule proposal will only address consumer debit transactions making any application of a WEB SEC Code premature.

One large gap in the interim solution is that WEB transactions are limited to debits. The long term solution will need to address how credits are categorized. Under the proposed rule, a transaction generated by a customer using a mobile device to initiate or authorize a credit from their bank account is not specifically addressed and could continue to be designated as a CIE. Customers who use their mobile devices to authorize a pre-authorized debit from their account would fall under the newly proposed WEB definition. While it is beneficial to address the debit transactions in the interim solution, the long term solution needs to include credit transactions.

The proposed rule change does not address commercial transactions initiated or authorized via mobile devices. There is little information available on the transaction volume of this segment of the market, but data should be gathered to assist in the

development of a long term solution that will provide clarity over how those transactions should be treated.

The ABA recommends that this proposal become effective 90 days later than the proposed date of December 17, 2010. To allow for more time to schedule and implement any required system changes, the effective date for this rule change should be March 17, 2011.

The ABA supports the interim solution included in the proposal and understands that additional data on transactions actually initiated or authorized by mobile devices is needed to produce a fair and reasonable long term solution. Because possible code issues remain for the mobile transactions not covered by this proposal, ABA emphasizes the importance of moving as expeditiously as the development of dependable information allows addressing the remaining issues.

ABA appreciates the opportunity to comment on the Mobile ACH Payments RFC. If you have any questions about these comments, please contact Stephen K. Kenneally at 202-553-5147 or via email at skenneally@aba.com.

Respectfully submitted,



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