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## ***By electronic delivery***

9 January 2009

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

### **Re: Request for Comment: Facilitating XML in ACH Payments**

Dear Ms. Bondoc:

The American Bankers Association (ABA)<sup>1</sup> respectfully submits its comments to NACHA, The Electronic Payments Association, on the Request for Comment: Facilitating XML in ACH Payments (RFC). The RFC describes and invites comments on proposed changes to increase the amount and quality of data accompanying ACH payments through the use of XML (eXtensible Markup Language).

The proposal would allow XML-formatted payment information to accompany ACH payments in the addenda records of most of the existing Standard Entry Class (SEC) codes and establish a code so that Receiving Depository Financial Institutions (RDFIs) could identify when that information is present.

ABA supports NACHA's efforts to increase the use of the ACH network for business-to-business (B2B) payments by allowing XML-formatted information to accompany payments. However, the possible benefits of this innovation must be weighed against the costs. In this current adverse economic climate, many businesses, including banks, are husbanding their resources. With lower budgets available for systems development projects, it is important that any proposed changes to ACH formats be cost effective and not place an undue burden on financial institutions. Even though financial institutions may choose to undertake the expense to expand their product offerings to originate XML-formatted payments, all financial institutions would have to make some system changes to recognize those payments when they were received. ABA includes suggestions on methods to improve the implementation of the proposal in this response.

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<sup>1</sup> ABA brings together banks of all sizes and charters into one Association. ABA works to enhance the competitiveness of the United States banking industry and to strengthen America's economy and communities. Its members – represent over 95 percent of the industry's \$13.6 trillion in assets and employ over 2 million men and women.

## **Eligible SEC Codes**

The intent of the proposed change is to facilitate growth in B2B payments. However, the proposal would allow XML-formatted information to be included in almost all of the SEC codes in use. ABA recommends narrowing the types of SEC codes allowed to include XML-formatted information. Limiting the number of SEC codes would simplify the initial system changes required to implement the proposal and reduce the ongoing costs of processing these payments. If there is a reasonable business case to expand the offering to other SEC codes in the future, then adding more codes can be considered at that time.

ABA recommends that XML-formatted transactions be allowed for the SEC codes designated for corporate use CCD (Cash Concentration or Disbursement) and CTX (Corporate Trade Exchange).

XML-formatted transmissions should also be considered for two other SEC codes, PPD+ (Prearranged Payment and Deposit) code and for the future IAT (International ACH Transaction) code that will enter use in September 2009. Many corporations will be initiating PPD+ transactions using XML ready software, and the IAT code will be used for international B2B payments. It is important to note that financial institutions are preparing to implement the new IAT code currently and that changing any requirements would be a hindrance for its September 2009 introduction. Clearly, care should be taken to ensure any efforts to include the IAT in this proposal not add to the burden of its initial launch in nine months.

## **XML Schema**

There are hundreds of different schema of XML that could be used in the addenda files of ACH payments. As noted earlier, limiting the number of variables that are part of the XML proposal will limit the costs of implementation and ongoing processing. Limiting the number of possible schema will increase the number of financial institutions offering XML services.

ABA recommends adopting ISO 20022 as the standard XML schema for this proposal. ISO 20022 was developed specifically for the financial services industry and is in wide use today throughout the world.

Allowing ANSI X12 messaging to be used in XML-formatted transactions, in addition to ISO 20022, may be considered as a way of shifting those corporations that currently use it more towards XML transactions. ABA recommends that NACHA conduct an additional survey of the industry to determine if allowing ANSI X12 messages, in addition to ISO 20022, would be beneficial.

## **Impacts**

It is difficult to assess the level of impact this proposal will have on financial institutions without knowing its adoption rate by customers. Financial institutions that choose to originate these transactions will have significant costs related to information technology upgrades, but they hopefully will be able to offset those expenses with revenues from

the new product offering. The costs directly related to systems development are difficult to judge with accuracy without knowing the number of SEC codes and XML schema that could be adopted. Each financial institution will be required to conduct its own business analysis to determine if it makes sense to originate XML-formatted transactions and/or provide translation services for payments received.

In addition to direct costs, there will also be expenses related to other software systems, processing times, and data storage limits based on the volume of XML-formatted transactions. Again, these costs are difficult to estimate without having a better idea of additional details on the final proposal and customer adoption rates.

Financial institutions that do not choose to originate the transactions will need to change their systems to recognize XML-formatted payments that they receive on behalf of customers. They will also need to forward that “raw data” to the customer within two days if they do not offer a translation product. There may be additional costs to these banks if the XML-formatted volume is significant.

### **Implementation Date**

The proposal includes an implementation date of March 19, 2010. ABA believes that this date does not provide enough time for all financial institutions that may choose to offer XML-formatted transactions to meet the deadline or to allow adequate time for all of the financial institutions that will be required to receive the transactions to institute system changes.

The demands of the system development effort and the financial institution budgeting process works against the March 19, 2010, implementation date for many banks. In addition to the unknown costs of system development under the XML proposal, financial institutions are preparing and testing for the IAT implementation scheduled in September 2009. NACHA has recommended that IAT systems changes be subject to a full six months of testing prior to it going live. A March 2010 implementation date for this proposal, if similar guidelines are suggested, would require testing begin in October 2009, immediately after IAT has been implemented. Given the limited resources allocated to ACH systems development, it is not reasonable to expect that the software changes and testing for both the IAT implementation and the XML proposal can be accomplished within that time frame.

The competition within each bank for resources that will be required for the IAT and XML implementations suggest that greater coordination between these efforts and other future NACHA proposals mandating ACH system changes is needed. Effective implementation requires that a full set of systems requirements be known and that adequate time be allowed for development and testing before a system goes live. Adding the proposed, but yet to be finalized, system changes under the XML proposal to the current IAT development and testing is a burden given the March 19, 2010, target date.

ABA recommends that the March 19, 2010, date be reconsidered. There is not enough time for systems development and testing, especially when resources are already being focused on another ACH systems change. Concerns regarding IAT development

resulted in a six month delay in its implementation. This was necessary, but it would have been preferable to select a more practical start date when the proposal was finalized.

Nothing is gained when a rush to meet a deadline means testing has been shortchanged. Moreover, there will be limited value obtained from a system change if a sufficient number of customers or banks are not adequately prepared to take advantage of the new capabilities.

Further, ABA recommends that NACHA consider developing a set of guidelines to coordinate future ACH system development changes. This would allow financial institutions participating in the ACH network to have adequate time to construct the systems development life cycle of projects cost effectively, including planning, coding, and testing of the system. In some cases this may suggest that certain independent proposals be combined to become effective on the same date, and in other cases it may suggest that the projects be implemented separately with an adequate period of time in between each effective date. Financial institutions also have to incorporate policy changes and staff training to meet regulator expectations when most changes are required. Financial institutions and the ACH network would benefit from “smoothing” the calendar around proposals requiring systems development.

ABA appreciates the opportunity to comment on the XML RFC. If you have any questions about these comments, please contact Stephen Kenneally at 202-663-5147 or via email at [skenneally@aba.com](mailto:skenneally@aba.com).

Sincerely,

A handwritten signature in cursive script that reads "Stephen K. Kenneally".

Stephen K. Kenneally  
Vice President  
Center for Regulatory Compliance