

NACHA's XML-ACH Opt-in Program

August 13, 2013

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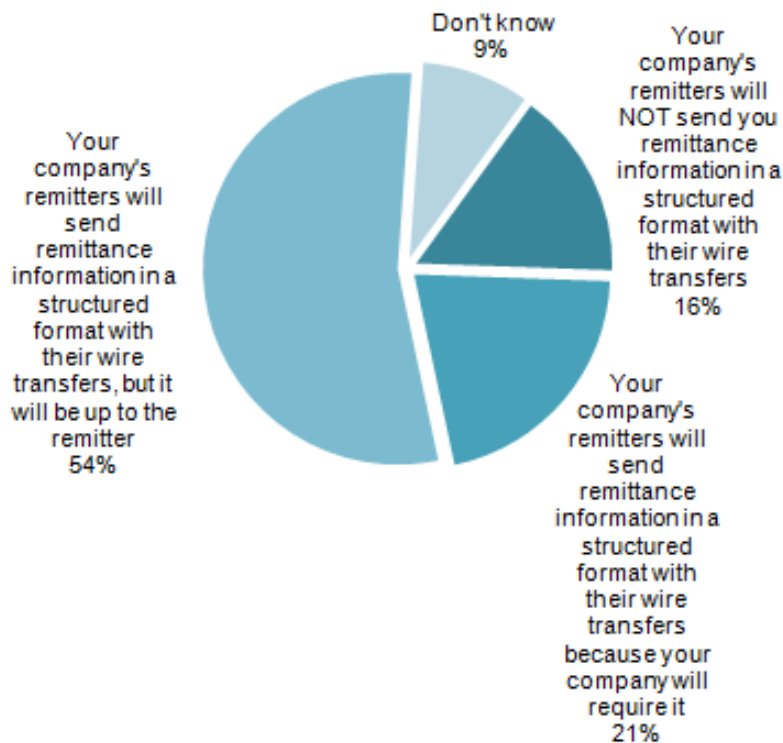
Opportunity: Of U.S. remittance volumes by channel, only **10% are sent with the payment using standards**

	Method or Channel for Providing Remittance Details	Number of Monthly Remittances (billions)
1	Sent by mail	2.6
2	Provided through a bank or third-party lockbox resource	2.2
3	Included with the payment in an unstructured or freeform format	1.7
4	Provided at a location such as an online banking site or the remitter's website that is accessed with a code or key	1.6
5	Included with the payment in a format supported by a standards group	1.5
5	Sent by email	1.5
6	Provided in Electronic Data Interchange, or EDI, format directly to your company from your trading partner	1.2
7	Provided through a value-added network in Electronic Data Interchange, or EDI, format	1.1
8	Provided by SWIFT (Society for Worldwide Interbank Financial Telecommunications)	0.8
9	Provided by Telephone	0.5
10	Sent by fax	0.4
10	Provided by a trading partner network that is supported by a third-party vendor, such as Ariba or SunGard	0.4

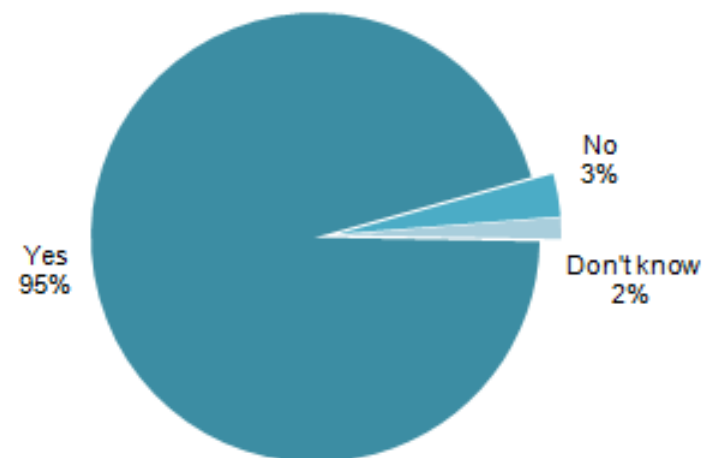
10% of 15.5 billion remittances

Opportunity: Overwhelmingly, U.S.-based companies' receivables respondents would like wire transfer and ACH remittance data to be in the same format

Q. As of November 2011, Fedwire and CHIPS include structured fields to capture remittance information within wire transfers. Do you anticipate that ... ?
(N=90)



Q. When you use the structured remittance information provided in wire transfers, would it be easier for your company if the format for ACH remittance information were the same?
(n=65)



Source: NACHA - Aite Group survey of 240 receivables or payables experts at U.S.-based companies, January to March 2012

NACHA Opportunity Analysis

Overview of Current State in the Industry

- Corporate Remittance Process Flow Lifecycle
- XML in the Business Environment

Evaluation of Fedwire ERI

- Validation of ISO 20022 compliance
- Applicability to ACH with addenda
- Current assessment and findings
- Comparison of Fedwire ERI and ACH with Addenda

Evaluation of XML standards and schemas

- Schema Standards / Languages
- XML Schema Specifications

CGI evaluated additional standards to develop the proposed NACHA data dictionary including mapping to/observing:

- STP 820
- ISO 20022 pain.001
- IFX ISO 20022 proposal
- NACHA banking conventions

NACHA XML-ACH Opt-in Program



- Launched August 1, 2013
 - Member communication
 - Email announcement
 - Web presence
 - <https://www.nacha.org/XML-ACH-Remittance>

XML-ACH Features and Benefits

- Features
 - NACHA defined remittance data dictionary, rules and formats
 - Opt-in usage for financial institutions, service providers and corporates
 - An Identical process flow compared to Electronic Data Interchange (EDI) leveraging wire and international formats
- Benefits
 - Facilitate modern formats for B2B
 - Enable electronic remittance exchanges with small and midsize companies
 - Develop additional revenue streams for payments remittance services
 - Leverage greater usage of XML in financial services
 - Provide straight-through processing of payment-related information


XML-ACH Opt-in Rules

- XML-ACH Opt-in Rules have two parts:
 1. Rules defining roles, responsibilities, origination/receipt requirements, obligations and warranties
 2. Technical specifications for originating/receiving XML-ACH transactions

XML-ACH Opt-in Rules

- Participation
 - Participants must sign participation agreement with NACHA and will be bound by the opt-in rules as well as the NACHA Rules
 - Financial institutions must register as both ODFI and RDFI
 - NACHA will maintain the list of participants
- Transactions
 - Opt-in rules apply only to CTX
 - There will be no operator validation of addenda records
 - Only data tags identified in the NACHA XML-ACH data dictionary can be included in remittance files
 - No changes required for 5-6-7 header records.
 - XML-formatted addenda will specifically be identified by the XML Declaration, or the first line in the 7 record e.g., `<?xml version="1.0" encoding="UTF-8"?>`

How does it work?

To: [XYZ Corporation Cust #: 111222222PD] Attn : John Smith Purchasing Department 27 Washington Ave. Albany, NY 12206 Office Phone: 212-333-1234 Mobile Phone: 212-555-5678 email: john.smith@xyzcorp.org		 ABC Corporation ABC Corporation Accounts Receivable 123 Lexington St. Wilmington, DE 19801 Telephone: 302-123-4567 Dunns # : 33388888		
YOUR ORDER NO. XYZ Corporation PO#: 000123	OUR CONTRACT NO. ABC-007925	TERMS Net 30 Days	INVOICE DATE 10/17/12	INVOICE NO. 123456
Annual ABC-Customer-Care Software License Fee per the SOFTWARE LICENSE AGREEMENT (ABC-007925) between ABC Corporation and XYZ Corporation date effective September 7, 2012 Signed by John Smith for ABC Corporation on September 26, 2012		Annual ABC-Customer-Care Software License Fee for the period December 1, 2012 to November 30, 2013		
<u>Adjustments</u> Discount applied for payment before start of License Fee period: Payment reduction due to Software License price change (Reason Code: 03)		\$110,500.00 -\$300.00 -\$200.00		
Total Discounts and Adjustments:		-\$500.00		
TOTAL DUE:		\$110,000.00		
SEND REMITTANCE DIRECTLY: ABC Corporation Accounts Receivable 123 Lexington St. Wilmington, DE 19801		OR ELECTRONIC PAYMENT TO: HSBC Bank USA, N.A. ABA #021001088 Account #123456789 Account Name: ABC Corporation, Inc. Bank Address: 452 Fifth Avenue New York, NY 10016		Past due invoices will be subject to a late fee charge of 1.5% of the outstanding balance per month



XML Declaration, tells device opening the file that it is XML compliant

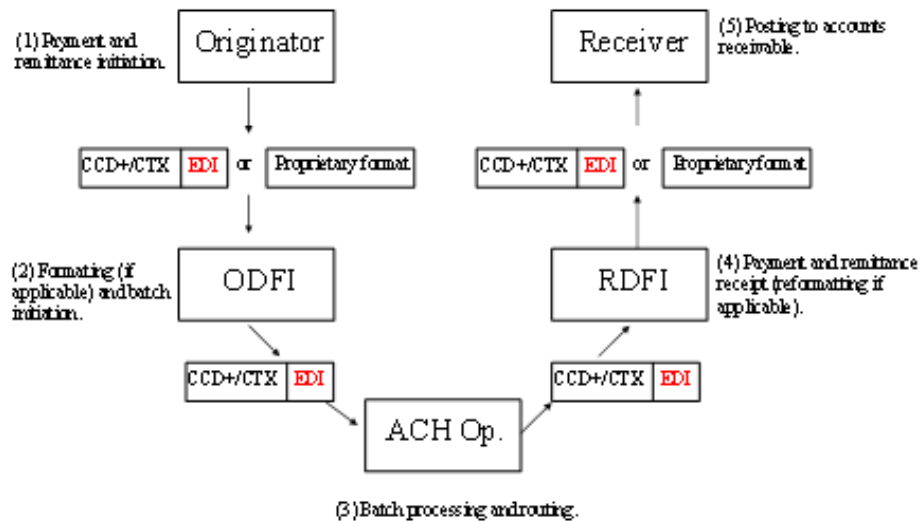
E	1	C	2	A	3	B	4	D	5	6	7	8
	1234567890123456789012345678901234567890123456789012345678901234567890123456789012345678901234567890											
	Example Data (continued - page 1 of 2)											
F	705											00010030110
	705											00020030110
	705											00030030110
G	705											00040030110
	705											00050030110
	705											00060030110
	705											00070030110
H	705											00080030110
	705											00090030110
	705											00100030110
	705											00110030110
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	705											00140030110
	705											00150030110
I	705											00160030110
	705											00170030110
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	705											00200030110
	(Continued)											



XML-ACH Process Flows – Identical to EDI Flows

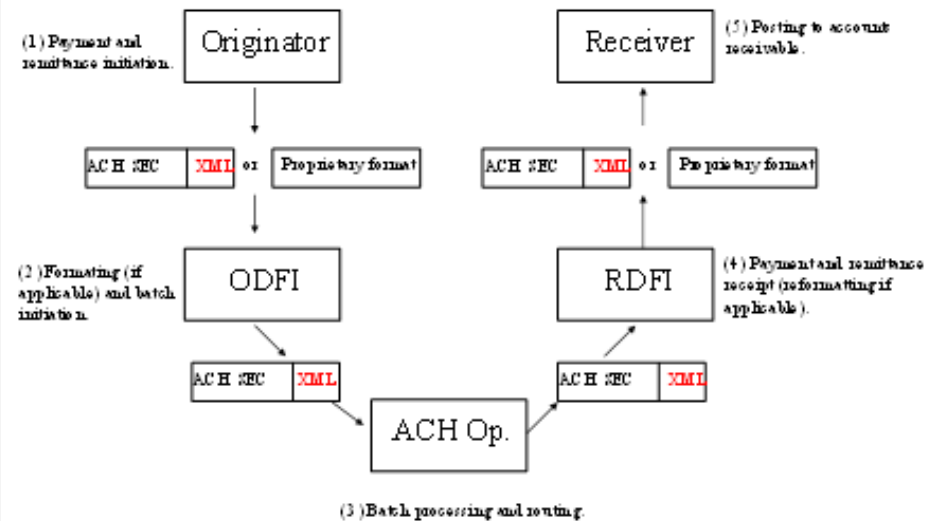
Current ACH-EDI Process Model

ACH-EDI Association Model - Credit Entry



Proposed ACH-XML Process Model

ACH-XML Association Model - Credit Entry



Resources

- XML-ACH website: <https://www.nacha.org/XML-ACH-Remittance>
- XML-ACH rules: <http://www.achrulesonline.org/> (free registration/log-in required)