

*HIT Policy Committee  
Interoperability and HIE Workgroup,  
Governance Subgroup*

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August 22, 2014

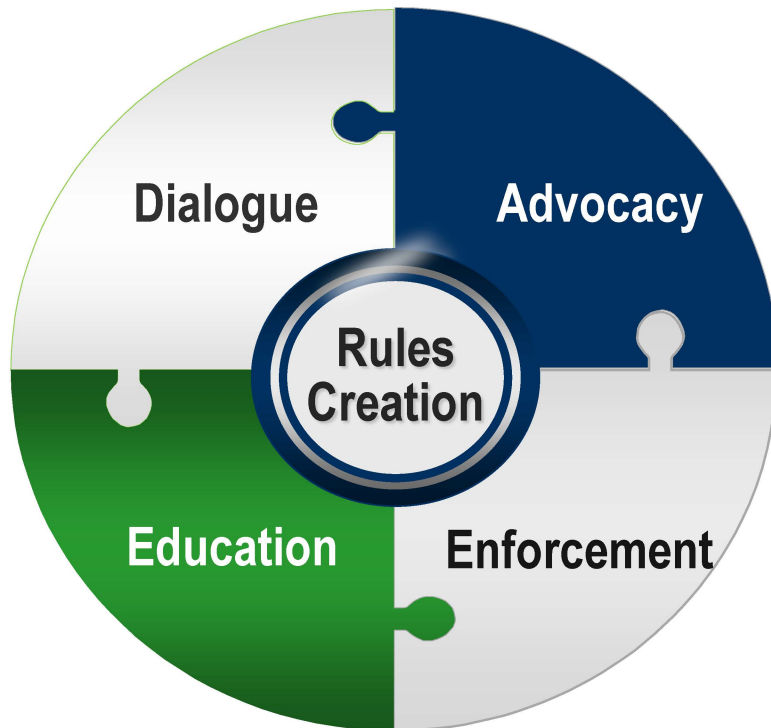
Virtual Hearing Panel 5: “Other Governance Approaches”

Remarks provided by:

Jan Estep, President and CEO

NACHA – The Electronic Payments Association

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



NACHA develops 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)

# The ACH Network – Replacing paper checks for 40 years, with more than 87 MM transactions every day

Direct electronic movement of money  
and related information

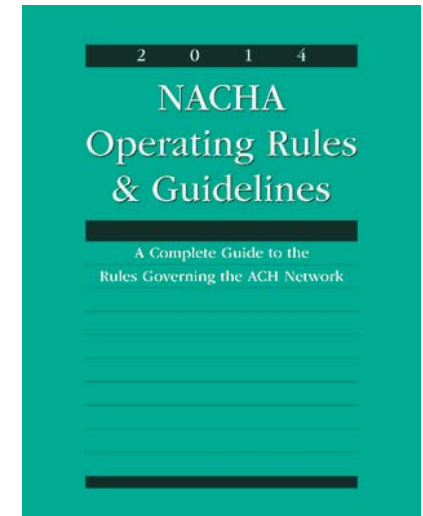


For consumers, businesses and government

*Connecting 12,000 financial institutions across the US*

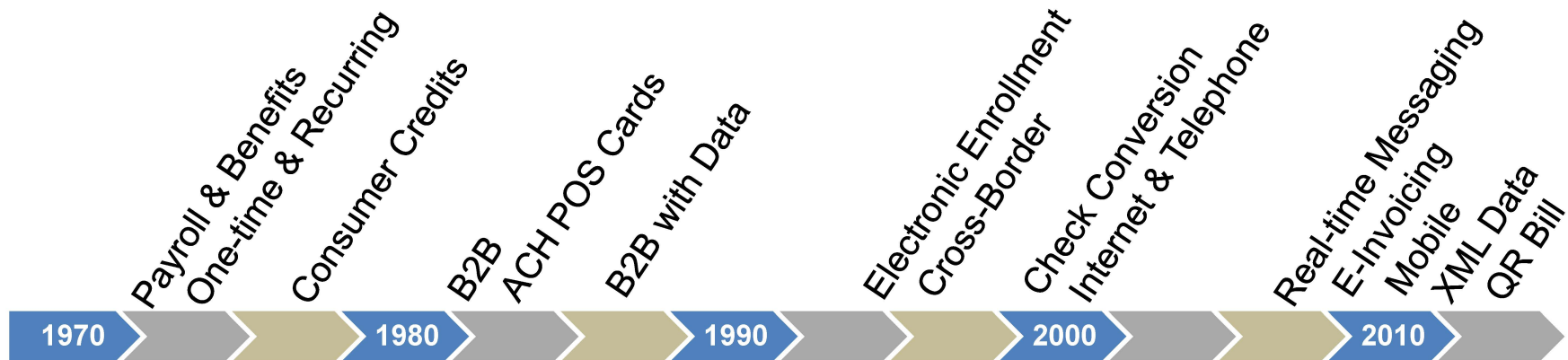
# What is covered in our ACH payment system rules?

- Establish the legal foundation for the ACH Network that applies to all entries flowing between ACH participants – thereby establishing interoperability
- Describe rules enforcement and the National System of Fines as the enforcement mechanism to help ensure compliance with the *NACHA Operating Rules*
- Provide formatting requirements and specifications for interoperability
- 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*



# 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 processes 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

# 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 rule making 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