



September 17, 2012

## NACHA: Person to Person (P2P) Payments

### Executive Summary

- NACHA - the Electronic Payments Association has issued a proposal to address person-to-person (P2P) payments on the Automated Clearing House (ACH) network. While mobile payments may currently use the WEB standard entry class (SEC) code and many P2P payments are initiated by mobile devices, currently the NACHA Operating Rules (NACHA Rules) do not specifically address P2P payments.
- Specifically, the proposal would amend the NACHA Rules to:
  - Define a person-to-person (P2P) entry as a credit entry initiated by or on behalf of a holder of a consumer account to a consumer account of a Receiver;
  - Allow a credit version of the WEB SEC code to be used for a P2P credit transaction sent from a consumer's account; and
  - Establish standardized formatting requirements for the P2P WEB credit code.
- Regarding the proposed formatting requirements, the Appendix (pages 15-23) of the NACHA request for comment executive summary below illustrates the proposed formatting layouts and alternatives, as well as the proposed addenda records.
- The proposal would also add a requirement to permit Receiving Depository Financial Institutions (RDFIs) to initiate Notifications of Change (NOCs) related to P2P WEB credits, as well as NOCs for bill payment on the Customer Initiated Entries (CIEs).
- The proposed effective date is: March 21, 2014.
- CUNA is interested in how the proposal would affect credit unions that currently process or plan to process P2P payments on the ACH network.
- Comments for the proposed rule are due to NACHA by October 1, 2012; **please submit your comments to CUNA by September 25, 2012.**
- For further details, please visit the NACHA [request for comment executive summary](#); proposed [modifications](#) to the ACH Rules; and their [ACH participant survey](#).
- Please e-mail your comments to CUNA Regulatory Counsel Dennis Tsang at [dtsang@cuna.com](mailto:dtsang@cuna.com). You may also call (800) 356-9655 extension 6733.

## Background

Under the proposal, NACHA defines a “P2P payment” as a funds transfer from one individual to another individual, and covers scenarios in which: 1) the sender knows the routing and account numbers for the recipient, and 2) the sender does not know the routing and account numbers for the recipient, but uses some other identifying information such as a mobile phone number or e-mail address.

There are currently two primary models of P2P payments on the ACH Network:

1. ACH Credit, Good Funds Model - A financial institution may offer a P2P service directly to its customers. Under the ACH credit, good funds model, a consumer is able to transfer funds to other individuals who enroll directly in that financial institution’s P2P service. For example, the financial institution would debit the account of the sender and send an ACH credit transaction to the recipient using the routing and account numbers provided.
2. Split Transaction Model - A financial institution may offer a P2P service to its customers, through a third-party service provider. Under the “split transaction model,” a service provider effects the transfer of funds between the sender and receiver of funds using two discrete transactions - an ACH debit to collect funds from the sender (e.g., a WEB) and an ACH credit to deliver funds to the receiver (e.g., a CIE or PPD).

## Potential Benefits

The primary benefit of the proposal would be consolidation of P2P payments under the WEB SEC code for both P2P debits and credits. The proposal also intends to standardize the use and formatting of P2P payments, which would provide clarity and consistency to Originating Depository Financial Institutions (ODFIs), Receiving Depository Financial Institutions (RDFIs), Originators, and Third Parties about how to apply the NACHA Rules to P2P payments. NACHA believes the proposal would also promote a more stable environment for P2P and encourage payments innovation, as well as assist with tracking and risk management on such transactions.

Currently RDFIs may receive P2P transactions that are formatted in a variety of ways, because ODFIs and service providers have different interpretations in designing and implementing P2P services. NACHA believes the proposal would assist RDFIs in providing transaction information to their customers, and provide additional tools for customer service and the dispute resolution.

## Potential Costs of Implementation

ODFIs and Third-Party Service Providers would incur one-time programming costs to adopt the use of new codes and descriptions required for these transactions, as well as the voluntary use of the new Addenda Type code and content.

RDFIs would incur programming costs to adopt the use of a WEB credit entry and voluntary use of new Addenda Type code and content. Under the proposed formatting changes, RDFIs that do not already provide information found in the Individual ID field of the Entry Detail Record on the periodic statement would incur programming costs to identify the sender of funds to meet Regulation E periodic statement requirements.

Both ODFIs and RDFIs would bear some customer service and training costs associated with the proposal. Other ACH participants may also incur programming and other costs to implement the proposal.

### Questions to Consider Regarding the Proposal

1. Does your credit union currently process or plan to process person to person (P2P) payments on the ACH network?  
\_\_\_\_\_
2. Also, does your credit union support the proposal to address and standardize P2P payments on the ACH network using the WEB SEC code (including allowing P2P credits using the WEB SEC code)?  
\_\_\_\_\_
3. Regarding the proposed formatting requirements and addenda records, do you support the proposed requirements or do you recommend alternatives? (Please refer to the Appendix (pages 15-23) of the NACHA [request for comment executive summary](#).)  
\_\_\_\_\_
4. Do you have any cost, implementation, or compliance concerns with the proposal?  
\_\_\_\_\_
5. Also, do you have any comments regarding providing information under the proposal to meet Regulation E periodic statement requirements.  
\_\_\_\_\_
6. Does the proposed effective date of March 21, 2014 provide an adequate implementation timeframe?  
\_\_\_\_\_
7. Any other comments or suggestions?  
\_\_\_\_\_

Thank you for your comments.