



**eBanking:**

**Faster Payment Tomorrow**

# **Internet-Initiated ACH Debits (WEB)**

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**NACHA - The Electronic Payments Association**

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**Electronic Financial Services Council**



# Agenda

- About NACHA
- A Short Tutorial: What is a WEB?
- The Internet Council & eCommerce Activities



# What is NACHA?





# What is NACHA?

- Rulemaking body for the ACH Network and other EFT payment systems
- Rules enforcement
- Education and marketing services
- Council memberships open to banks and non-banks



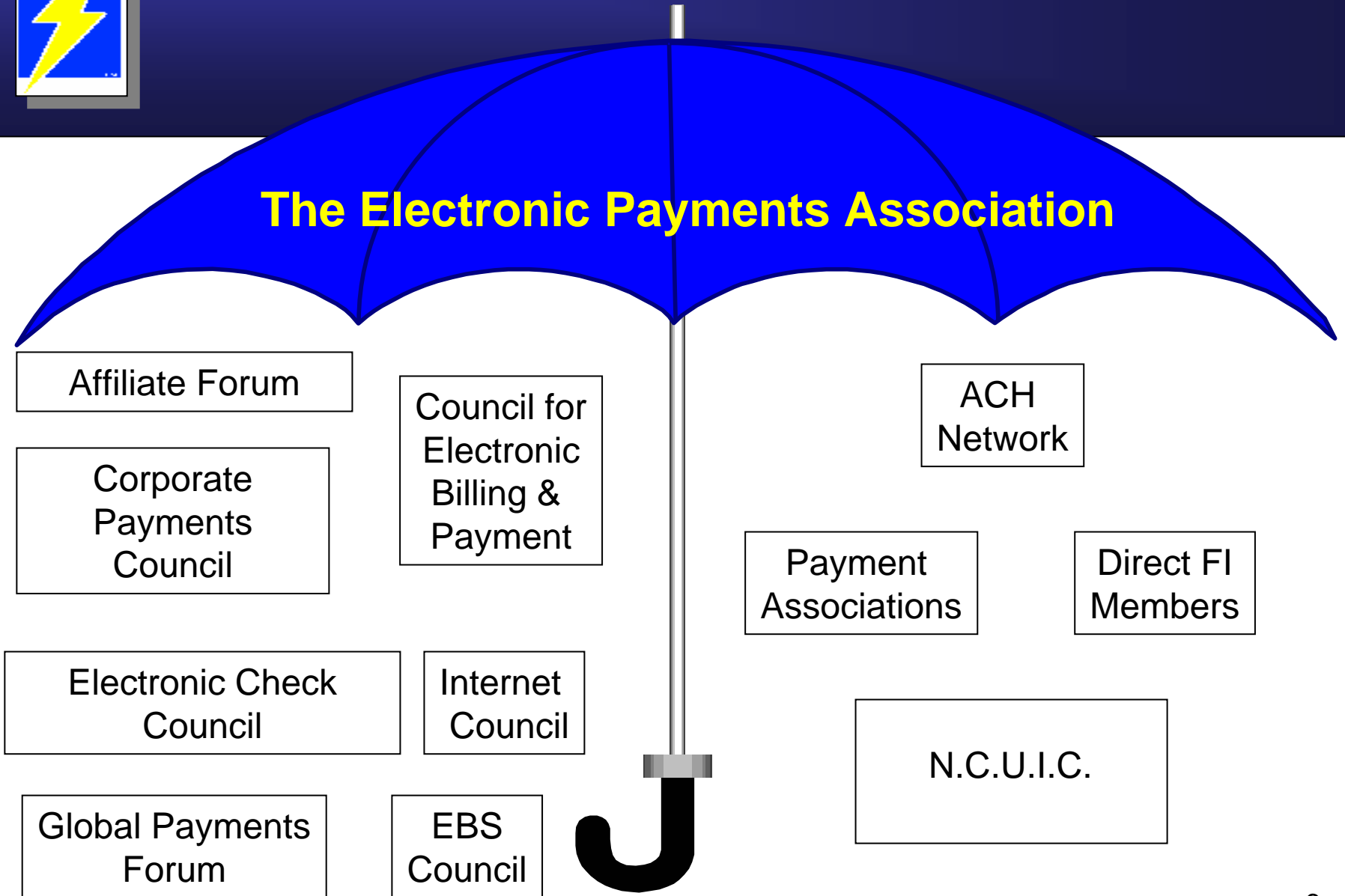
# NACHA's Mission

*Mission is to promote the development of electronic solutions that improve the payments system for the benefit of its members and their customers.*

# Who is NACHA?



## The Electronic Payments Association



Affiliate Forum

Corporate  
Payments  
Council

Electronic Check  
Council

Global Payments  
Forum

Council for  
Electronic  
Billing &  
Payment

Internet  
Council

EBS  
Council

ACH  
Network

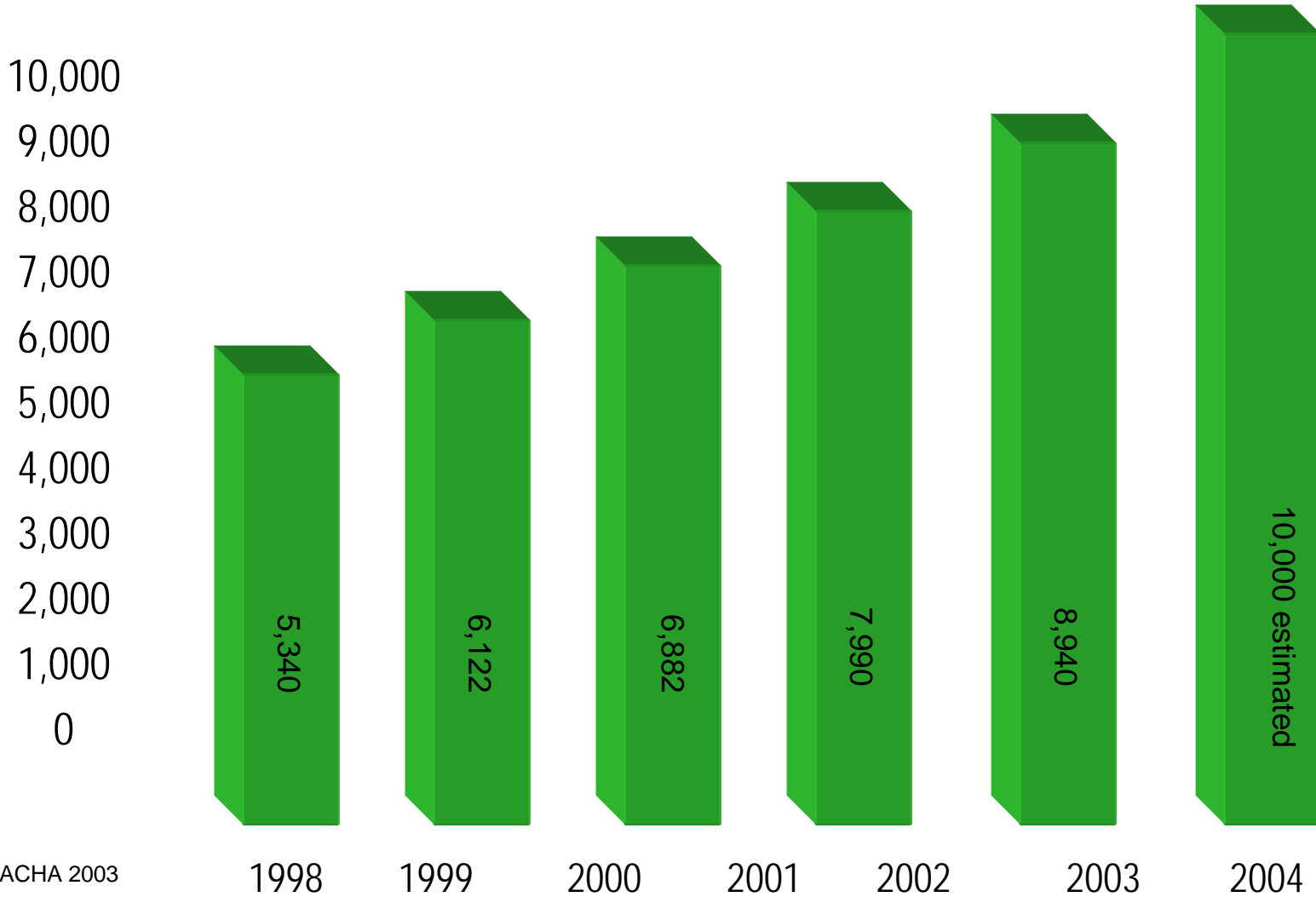
Payment  
Associations

Direct FI  
Members

N.C.U.I.C.



# ACH VOLUME (billions)





*A Tutorial:  
Internet-Initiated ACH  
Consumer Debits (WEB)*



# Internet-Initiated (WEB) Debits

- Debit entry to a consumer account initiated pursuant to an authorization obtained via the Internet
- Effective date March 16, 2001
- SEC Code – WEB



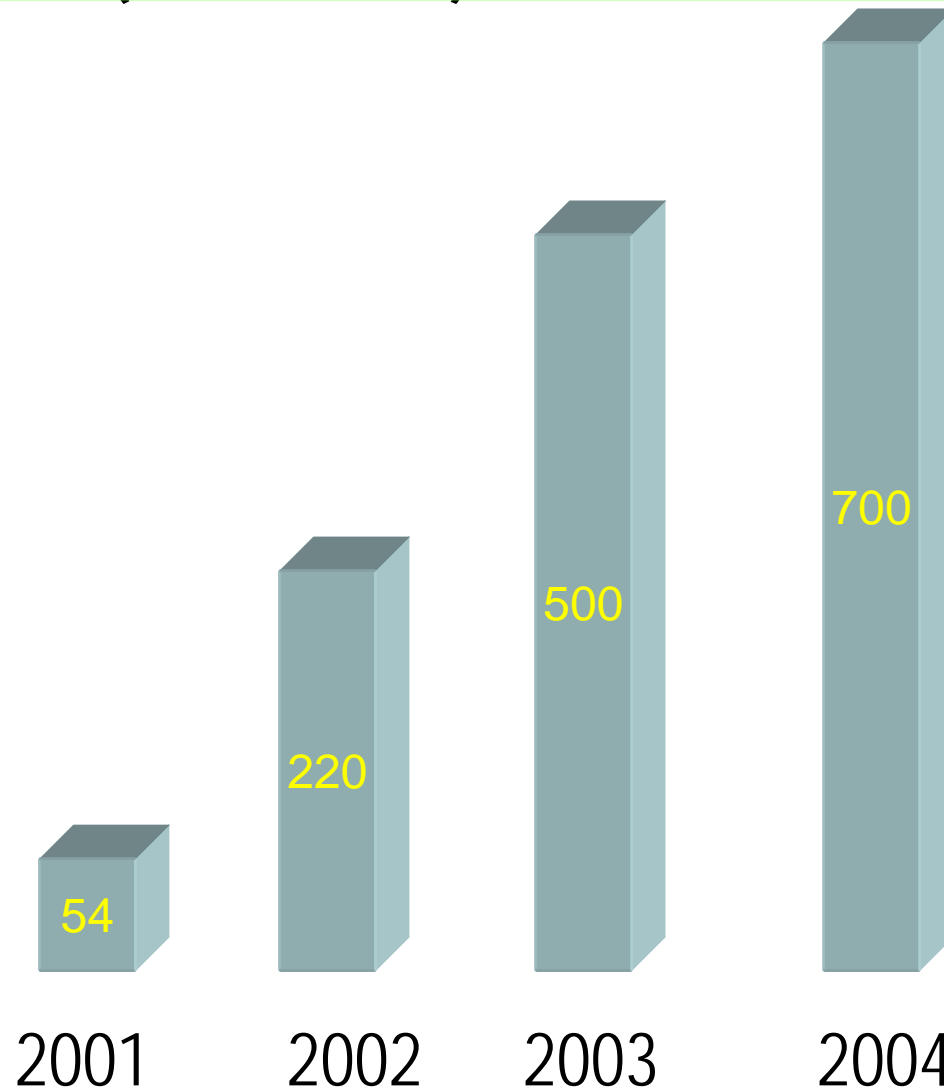


# Internet-Initiated (WEB) Debits

- WEB is an ACH transaction that is used when a consumer has
  - Authorized a direct payment for recurring or multiple payments, i.e., utilities, mortgage, loans, brokerage trades, etc.
  - Authorized a one-time debit for a purchase or payment (i.e. credit card payment) in a secure Internet session by providing identification (PIN, code, shared secret) and account information including routing and transit number and account number.

# WEB Growth (millions)

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# Authorization for WEB

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- Must be in a writing, signed or similarly authenticated
- Must evidence assent
- Must uniquely identify the consumer
  - (PIN, other code, shared secret, digital signature, etc.)
- Must be readily identifiable as an ACH debit authorization
- Revocation language required for recurring payment
- Clearly and conspicuously state its terms



# Authentication for WEB

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- Method in which an Originator can be assured of the identity of the consumer.
  - Existing relationship
    - PIN, shared secret (pet's name, mother's maiden name), pass code, password.
  - Spontaneous purchase
    - Public Key Infrastructure (PKI)
    - Authentication of information via data bases, telephone number, purchase history, biometrics



# Authorization vs. Authentication

- Authorization - gives the Merchant permission to debit the consumer.
- Authentication – proves the identity of the consumer to the merchant - similar to a signature.
- *It is possible to have authentication without authorization, however, you cannot have authorization without authentication.*



# Originator Obligations

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- Agreement with ODFI
- Authorization Requirements
  - Two year retention of authorization
- Fraudulent Transaction Detection System
- Verification of Routing Numbers
- Security of Internet Session
- Security Audit



# "Commercially Reasonable" Fraudulent Transaction Detection Systems

- Authenticate the identity of the Receiver
- Verify previous transaction history
- Compare against previous shipping addresses
- Match to credit bureau databases
- Drivers license match, third-party database match
- Etc., etc., etc.,



# Verification of Routing Numbers

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- Commercially reasonable procedure to verify that routing numbers are valid
- Can be a part of a fraudulent transaction detection system
- Separate database or directory
- Other methods...



# Security of Internet Session

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- Commercially reasonable security technology is a minimum 128 bit SSL encryption technology
- Must begin at first point of key entry of financial information by the Receiver through the transmission of data to Originator



# Annual Security Audit

- Annual audit conducted by Originator to:
  - protect integrity of Receiver information and the transaction against theft, tampering or damage
  - personnel and access controls to protect against unauthorized access
  - ensure network security to ensure secure capture, storage and distribution of information
- Can be conducted by internal or external auditor
- First audit to be completed by December 31, 2001



# ODFI Responsibilities

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- Agreements with Originators
- Warranties and liabilities
  - Originator compliance with rules
  - exposure limits specific to WEB entries
  - verification of annual audit
- Originator WEB obligations



# Are We Done With WEB??

- There ARE still issues:
  - Corporate transactions authorized on the Web
  - Consumer credits
  - Enhanced authentication and data security requirements
- Rules Work Group #32 is working on these as we speak



# Internet Council Initiatives



- Financial Institution Authentication Forum
- Rules Work Group #32 - Internet Issues
- ACH Security Project



# ACH Security Project & Rules Work Group Activities

- **Rules Work Group #32 - Internet Issues**
  - Add a definition of an Unsecured Electronic Network
  - Require banking information transmitted via Unsecured Electronic Network to be encrypted at a level of security equivalent to 128-bit RC4 (minimum)
  - Require ODFI to take steps to establish the identity of the Originator that uses an Unsecured Electronic Network
  - Uniquely verify the identity of the Receiver
- **ACH Security Project**
  - New rules proposal to establish data security audit requirements for all ACH Originators regardless of SEC code
  - Leverage existing data security compliance programs
  - Provide guidance with security audit workbook



# Financial Institution Authentication Forum

- Created May 2004
- Participation
  - Participation in the FI Forum will be limited to financial institutions and will not include non-bank FIs or technology providers.
  - A financial institution is a regulated depository financial institution or regional payment association that is recognized by NACHA and is also a *member of the Internet Council*.
- Current Membership
  - Six FIs - Wells Fargo, National City, Wachovia, Mellon Financial, U.S. Bank, Bank of America



# FI Authentication Forum (Cont.)

- Why?

- Historic expertise of Council members in authentication
- Increasing demand from government and industry for FI solutions in identity management
- Share information and identify best practices for authentication and identity management across the industry
- Work collectively to provide input on significant industry authentication and security initiatives underway

- Mission Statement

- The mission of the FI Authentication Forum is to promote FI capabilities in the electronic authentication and identity management. The Forum will work together to influence the business process and legal issues in the marketplace. The Forum will lead FIs in an effort to to define common interests and strategic engagement in viable initiatives.



# Questions & Answers

**Thank You!**

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