

Voice Payments: Guide to Nacha Operating Rules

ACH Rules Executive Briefing Series



**Payments
Innovation Alliance®**

November 2022
©2022 Nacha. All rights reserved.

Acknowledgments

Nacha and The Payments Innovation Alliance gratefully recognize the industry professionals below for their contributions to **Voice Payments: Guide to Nacha Operating Rules**. This publication would not have been possible without their input and guidance.

Project Leaders:

Mary Gilmeister, AAP, NCP, Macha

Matt Luzadder, Kelley Drye & Warren, LLP

Jane Wallace, AAP, Wallace Consulting

Volunteer Project Team:

Michelle Dunsmore, Citibank N.A.

Nanci McKenzie, AAP, APRP, Affirmative Technologies

Pam Rodriguez, AAP, CIA, CISA, Southern Financial Exchange

Karen Taney, CISA, National Credit Union Administration

Nacha Staff:

Amy Morris

Jennifer West, AAP, APRP



Table of Contents

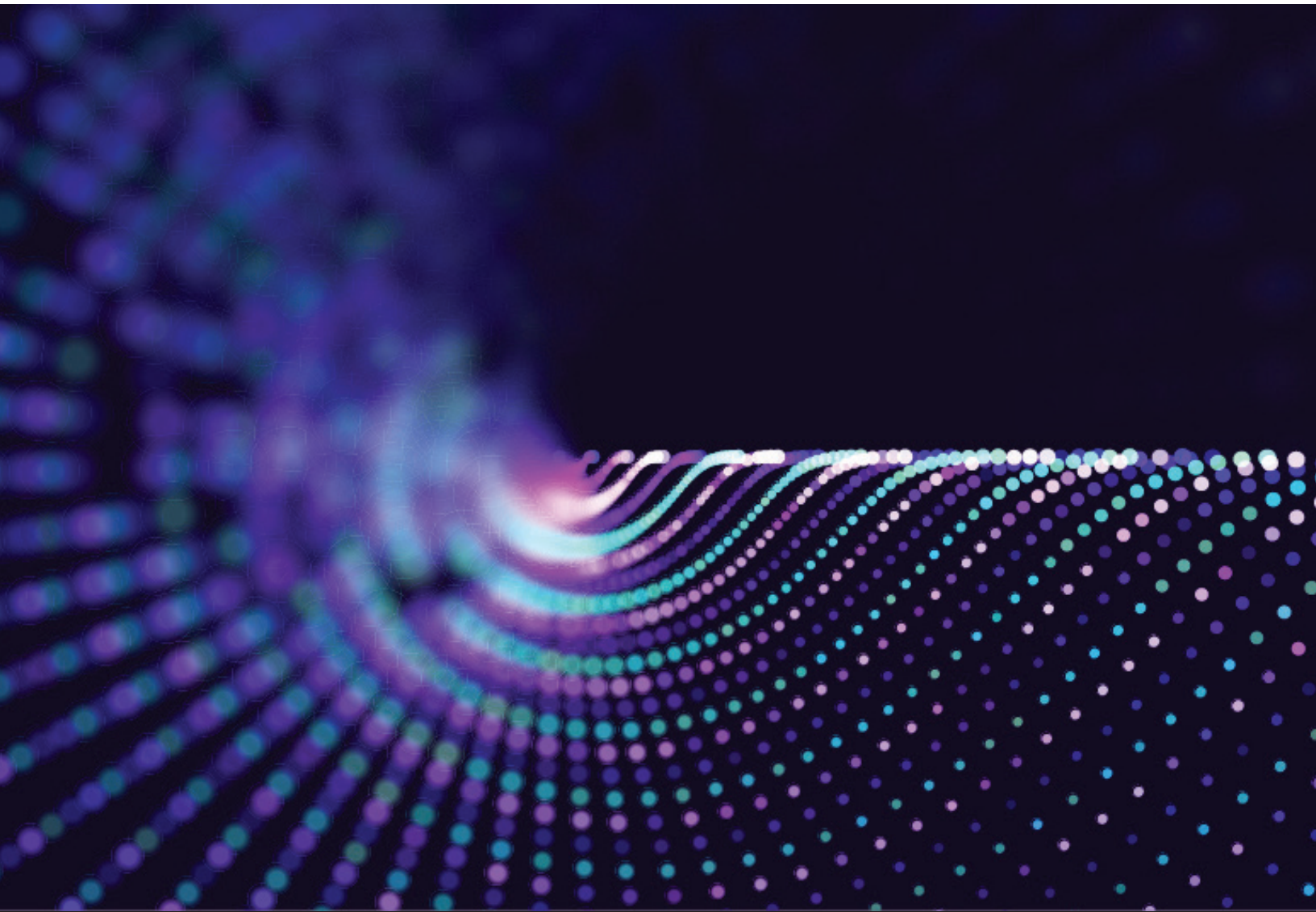
Introduction 4

Bill Pay Models Overview 5

FI Bill Payments – Use Cases..... 6

Biller Direct Bill Payments – Use Cases..... 9

Biller Direct FAQs..... 12



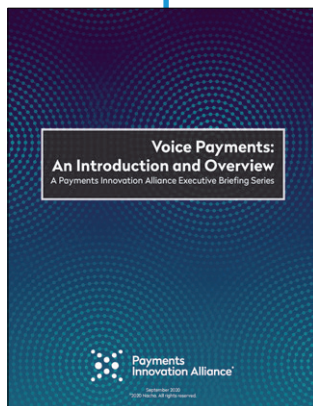
Introduction

Nacha is the standards body for setting rules for ACH payments. Starting a few years ago, Nacha embarked upon an effort to modernize its standards and rules to keep pace with industry developments. In 2020 – 2021, Nacha updated the Nacha Operating Rules and Guidelines (Nacha Operating Rules) to address emerging capabilities, such as voice payments.

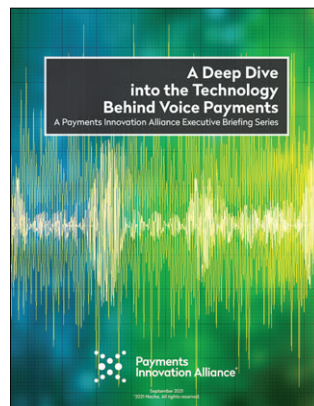
This document is intended to:

- Assist in determining the Standard Entry Class (SEC) Codes for consumer bill payment use cases using voice-assisted devices or smart speakers
- Clarify Frequently Asked Questions related to voice payments
- Offer a guide to provide information about the most common voice payments use cases and may not cover every situation that may arise

See more voice payments resources published by the Payments Innovation Alliance-Conversational Payments Project Team for more information and a glossary of terms.



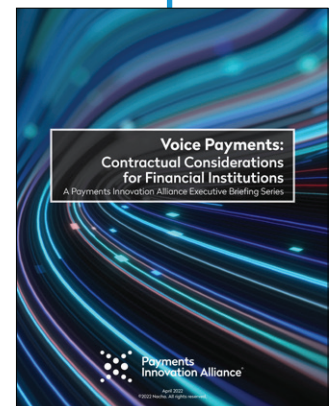
An introduction to conversational payments including definitions of common terms.



Explores how voice payments use AI technology and provides an in-depth look at how machine learning, natural language processing, robotics and computer vision allow this to work.



Best practices for consumers to protect against multiple points of vulnerabilities of cyber threats and unwanted data sharing in their homes related to smart speakers.



A legal and risk mitigation resource guide for financial institutions seeking to implement voice payment capabilities and applications (skills) through smart devices such as the Amazon Echo* and Google Nest*.

References to the Nacha Operating Rules are based on the 2022 Rules and are provided to assist with locating the specific provisions that apply. This document does not replace the Nacha Operating Rules.

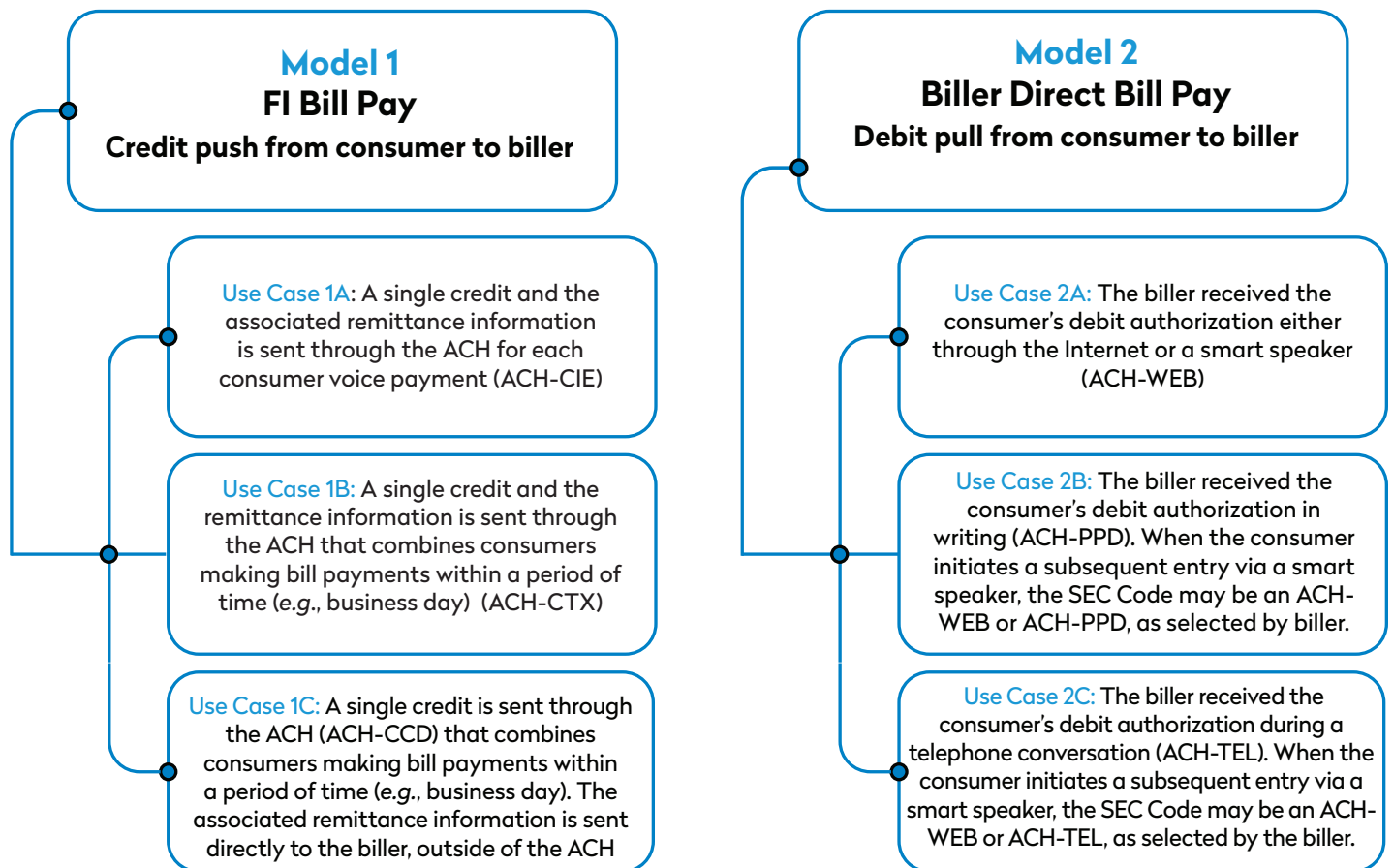
* All trademarks are property of their respective owners and are used herein for discussion purposes only. Their use does not represent an endorsement or relationship between Nacha, the Payment Innovation Alliance or the authors of this document.



Bill Pay Models Overview

There are two primary bill payment models in use today that rely on the ACH network where a consumer may use a smart speaker to initiate the payment.

- **Model 1** is referred to as FI Bill Pay where the consumer pushes a credit to the biller using their financial institution's app or website. The financial institution sends the biller the payment and remittance information using one of three Standard Entry Class (SEC) Codes.
- **Model 2** is referred to as Biller Direct Bill Pay where the consumer authorizes the biller to debit the account. The Biller initiates the debit to the consumer's account using one of three Standard Entry Class Codes.



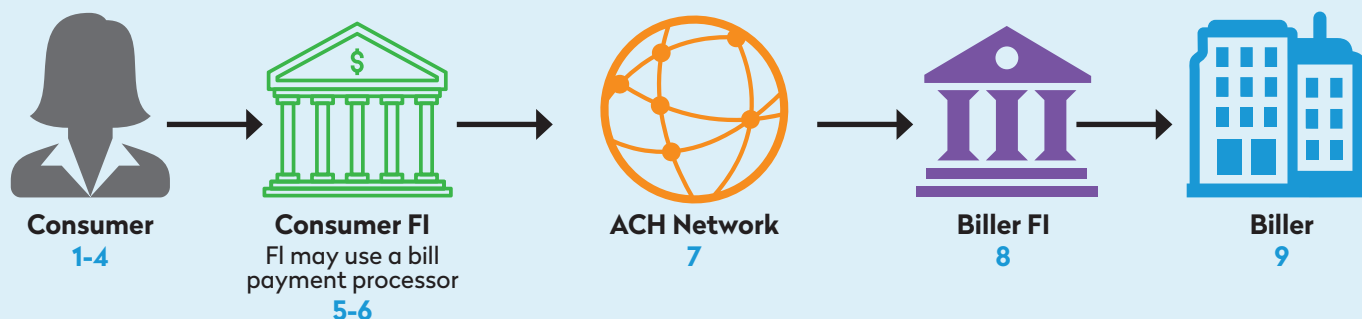
FI Bill Payments – Use Cases

For FI bill payments made using a smart speaker, the Standard Entry Class Code is determined based on the biller's preference for receiving the remittance information (e.g., through the ACH as a single entry for each consumer [CIE] or a single entry for all consumers [CTX] or the remittance information is sent directly to the biller and a single settlement entry is sent through the ACH [CCD]).

The following three use cases are illustrated below to assist with understanding the applicable Standard Entry Class Code to be used and the Nacha Operating Rules resource.

Use Case 1A: FI Bill Pay - Voice Payments

A single credit and the associated remittance information is sent through the ACH for each consumer voice payment (ACH-CIE).



1. Consumer enrolls in FI's bill pay service and agrees to the consumer FI's service terms & conditions.
2. Consumer sets up the biller on the consumer FI's bill pay service.
3. Consumer downloads the consumer FI's voice payments skill and agrees to the terms & conditions.
4. Consumer uses their smart speaker to initiate a bill payment.
5. Consumer FI debits the consumer's account, which is an "on-us" transaction.
6. Consumer FI/processor creates a single credit for each consumer voice payment (ACH-CIE) and transmits the payment to the ACH network for processing.
7. ACH Network transmits the CIE transaction to the biller's FI.
8. Biller's FI sends the consumer payment and remittance data to the biller's electronic lockbox in a machine-readable file.
9. Biller processes the remittance file and applies the credit to the consumer's account held with the biller.

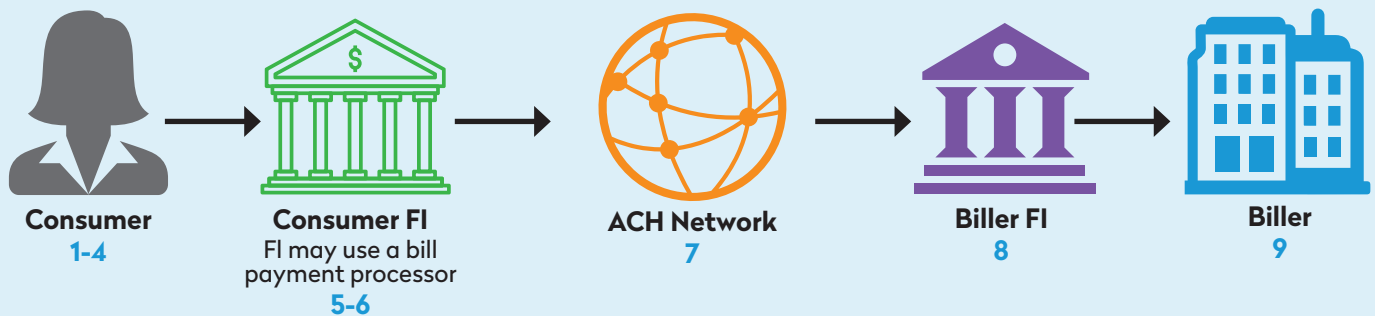
ACH Operating Rules Resource:

- CIE Entries (Customer Initiated Entry) – Subsection 2.5.4

A CIE Entry is a credit Entry initiated by or on behalf of the holder of a Consumer Account to the Non Consumer Account of a Receiver. Subsection 2.5.4.1

Use Case 1B: FI Bill Pay - Voice Payments

A single credit and the remittance information is sent through the ACH that combines consumers making bill payments within a period of time (e.g., business day) (ACH-CTX).



1. Consumer enrolls in FI's bill pay service and agrees to the consumer FI's service terms & conditions.
2. Consumer sets up the biller on the consumer FI's bill pay service.
3. Consumer downloads the consumer FI's voice payments skill and agrees to the service terms & conditions.
4. Consumer uses their smart speaker to initiate a bill payment.
5. Consumer FI debits the consumer's account, which is an "on-us" transaction.
6. Consumer FI/processor creates a single credit that contains one or more consumer bill payments (ACH- CTX) for that period (i.e., business day). The file may contain payments made through a smart speaker or other device. Each addenda record provides information needed for the biller to apply the consumer's payment to the biller's accounts receivable system. The consumer FI/processor transmits the file to the ACH Network.
7. ACH Network transmits the CTX transaction(s) to the biller's FI.
8. Biller's FI posts a credit to the biller's account for the total of all consumer payments contained in the CTX addenda records. The biller's FI/processor provides the biller with the addenda records, generally a machine-readable file that contains the remittance data for each consumer payment.
9. Biller processes the machine-readable remittance file and applies the credit to the consumer's account held with the biller.

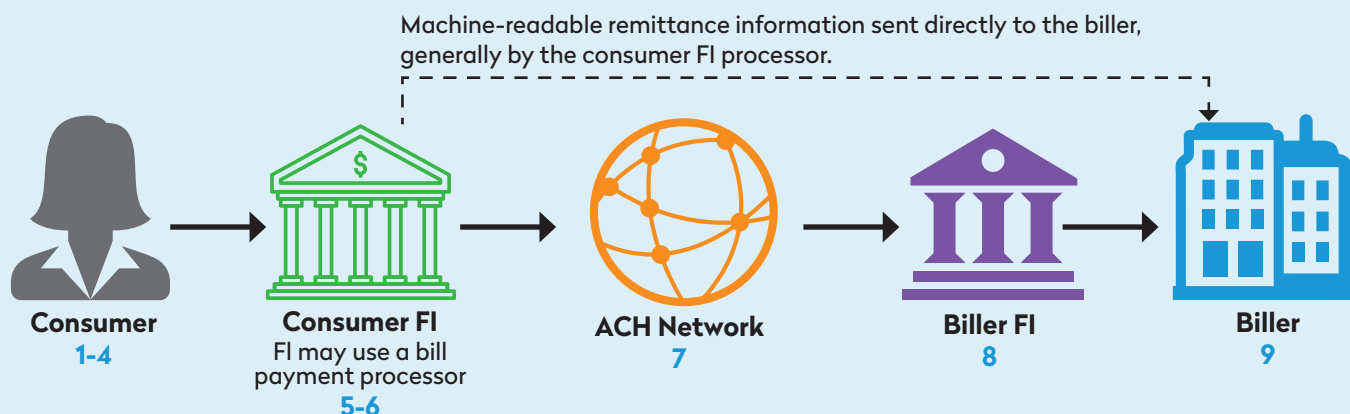
ACH Operating Rules Resource:

- CTX Entries (Corporate Trade Exchange Entry) – Subsection 2.5.5

A CTX Entry may be a debit or a credit Entry that provides payment related information in one or more Addenda Records.

Use Case 1C: FI Bill Pay - Voice Payments

A single credit is sent through the ACH (ACH-CCD) that combines consumers making bill payments within a period of time (e.g., business day). The associated remittance information is sent directly to the biller, outside of the ACH.



1. Consumer enrolls in FI's bill pay service and agrees to the consumer FI's service terms & conditions.
2. Consumer sets up the biller on the consumer FI's bill pay service.
3. Consumer downloads the consumer FI's voice payments skill and agrees to the service terms & conditions.
4. Consumer uses their smart speaker to initiate a bill payment.
5. Consumer FI debits the consumer's account, which is an "on-us" transaction.
6. Consumer FI/processor creates a single credit that contains one or more consumer bill payments (ACH-CCD) for that period (*i.e.*, business day). The file may contain payments made through a smart speaker or other device. Consumer/FI processor sends a machine-readable file directly to the biller with the information needed for the biller to apply the consumer's payment to the biller's accounts receivable system. The consumer FI/processor transmits the file to the ACH Network.
7. ACH Network transmits the CCD transaction to the biller's FI.
8. Biller's FI posts a credit to the biller's account.
9. Biller processes the machine-readable remittance file and applies the credit to the consumer's account held with the biller.

ACH Operating Rules Resource:

- CCD Entries (Corporate Credit or Debit Entry) – Subsection 2.5.3

A CCD Entry may be a debit or credit Entry and may provide payment related in one Addenda Record.

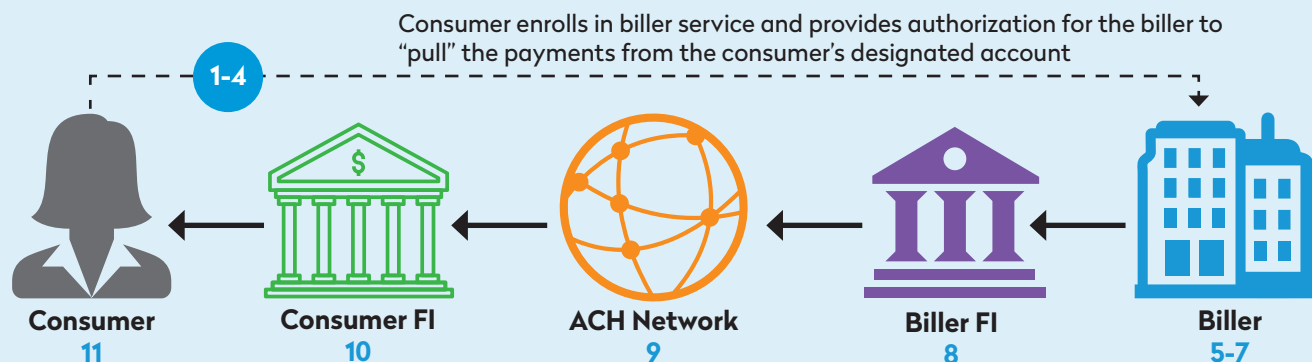
Biller Direct Bill Payments – Use Cases

For Biller Direct Bill Pay, the Standard Entry Class Code is determined based on the form in which the consumer authorization was obtained: via the smart speaker, internet, telephone or in writing. When a consumer uses a smart speaker for subsequent bill payments, the biller has the option of using the SEC Code that was used to collect the authorization or how the payment was initiated (*i.e.*, via a smart speaker).

The following three use cases are illustrated below to assist with understanding the applicable Standard Entry Class Code to be used based on the method for collecting the initial consumer authorization and subsequent bill payments.

Use Case 2A: Biller Direct - Internet or Smart Speaker Authorization

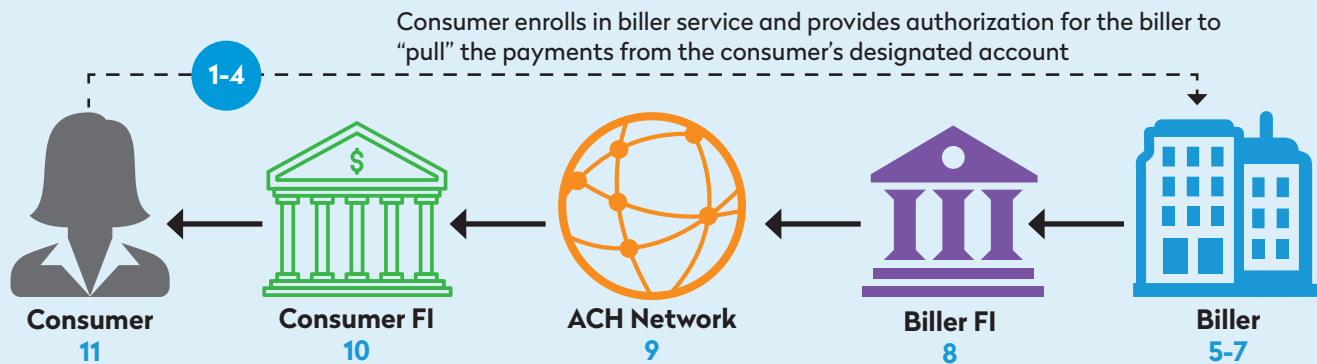
The biller received the consumer's debit authorization either through the Internet or a smart speaker (ACH-WEB)



1. Consumer enrolls in the biller's ACH debit service and agrees to the service terms & conditions.
2. Consumer provides payments authorization via the Internet or a smart speaker.
3. Consumer downloads the biller's voice payments skill and agrees to the service terms & conditions.
4. Consumer uses their smart speaker to initiate a voice bill payment.
5. Biller creates an ACH debit transaction (ACH-WEB) that includes the consumer's designated FI account number.
6. Biller posts the credit to the consumer's account held with the biller and updates its accounts receivable system.
7. Biller transmits the ACH file to biller FI.
8. Biller FI transmits the file ACH Network.
9. ACH Network transmits the debit entry (ACH-WEB) to the consumer FI.
10. Consumer FI posts the debit to the consumer's account.
11. Consumer's account is debited.

Use Case 2B: Biller Direct - Standing Written Authorization

The biller received the consumer's debit authorization in writing (ACH-PPD). When the consumer initiates a subsequent entry via a smart speaker, the SEC Code may be an ACH-WEB or ACH-PPD, as selected by the biller.

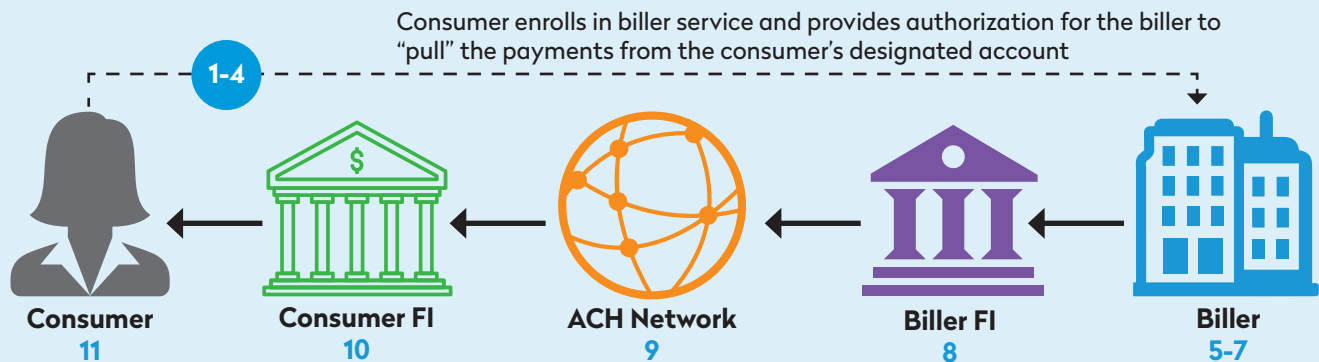


1. Consumer enrolls in the biller's ACH debit service and agrees to the service terms & conditions.
2. Consumer provides written authorization.
3. Consumer downloads the biller's voice payments skill and agrees to the service terms & conditions.
4. Consumer uses their smart speaker to initiate a voice bill payment.
5. Biller creates an ACH debit transaction (ACH-PPD) that includes the consumer's designated FI account number for the first transaction. When a consumer initiates a subsequent entry using a smart speaker, the ACH debit transaction can be either an ACH-WEB or ACH-PPD, as selected by the biller.
6. Biller posts the credit to the consumer's account held with the biller and updates its accounts receivable system.
7. Biller transmits the ACH file to the biller FI.
8. Biller FI transmits the file ACH Network.
9. ACH Network transmits the debit entry (ACH-PPD or ACH-WEB) to the consumer FI.
10. Consumer FI posts the debit entry (ACH-PPD or ACH-WEB) to the consumer's account.
11. Consumer's account is debited.



Use Case 2C: Biller Direct - Telephone Authorization

The biller received the consumer's debit authorization during a telephone conversation (ACH-TEL). When the consumer initiates a subsequent entry via a smart speaker, the SEC Code may be an ACH-WEB or ACH-TEL, as selected by the biller.



1. Consumer enrolls in the biller's ACH debit service and agrees to the service terms & conditions.
2. Consumer provides the biller with payments authorization over the telephone.
3. Consumer downloads the biller's voice payments skill and agrees to the service terms & conditions. The smart speaker may be used by the consumer at another time.
4. Consumer uses a telephone to initiate a bill payment.
5. Biller creates an ACH debit transaction (ACH-TEL) that includes the consumer's designated FI account number for the first transaction. When the consumer initiates a subsequent entry using a smart speaker, the ACH debit transaction can be either an ACH-WEB or ACH-PPD, as selected by the biller.
6. Biller creates an ACH debit transaction (ACH-TEL) that includes the consumer's designated FI account number.
7. Biller posts the credit to the consumer's account held with the biller and updates its accounts receivable system.
8. Biller transmits the ACH file to the biller FI.
9. Biller FI transmits the file ACH Network.
10. ACH Network transmits the debit entry (ACH-TEL) to the consumer FI.
11. Consumer FI posts the debit to the consumer's account.
12. Consumer's account is debited.

Biller Direct Bill Pay – Frequently Asked Questions

The following Frequently Asked Questions were developed to assist billers (Originators), financial institutions and payments processors with understanding the Nacha Operating Rules for voice payments. References to Rules Subsections are based on the 2022 Rules and are provided to assist with locating the specific provisions that apply. This information is not inclusive, nor does this replace the Nacha Operating Rules & Guidelines.



What is a Standing Authorization?



A Standing Authorization is an advance authorization obtained from a Receiver for one or more future entries (referred to as subsequent entries) that require the Receiver's affirmative action to initiate.

ACH Operating Rules Resource:

- Standing Authorization for Debit Entries to Consumer Accounts - Subsection 2.3.2.5



What SEC Code may an Originator use when it obtains a consumer's Standing Written Debit Authorization?



The Originator may use the PPD (Prearranged Payment Deposit) or WEB (Internet-Initiated Entry) Standard Entry Class Code, at its preference. Refer to Use Case #2B above.

ACH Operating Rules Resource:

- A PPD Entry is a consumer debit or credit Entry initiated by the Originator – Subsections 2.3 and 2.5.12
A PPD Entry is a consumer debit or credit Entry initiated by the Originator
- WEB Entry (Internet-Initiated/Mobile Entry) – Subsection 2.5.17
A debit WEB Entry is a debit Entry to a Consumer Account originated on (1) any form of authorization that is communicated from the Receiver to the Originator via the Internet or a Wireless Network, except for an Oral Authorization via a telephone call; or (2) any form of authorization if the Receiver's instruction for the initiation of the individual debit Entry is designed by the Originator to be communication, other than orally via a telephone call, to the Originator via a Wireless Network.





What SEC Code must an Originator use when it obtains a consumer's debit authorization orally over the internet, such as using a virtual assistant (Alexa, Siri, etc.)



When a consumer's oral authorization for a Recurring or Single-Entry debit is communicated to the Originator via the internet or wireless network, the Originator must identify these entries as WEB debit Entries.

ACH Operating Rules Resource:

- Specific Provisions for WEB Entries (Internet-Initiated /Mobile Entry) – Subsection 2.5.17

When an Originator obtains a consumer's Standing Authorization orally via the Internet or a wireless network (e.g., via a virtual assistant or smart speaker such as Alexa or Siri), the Originator has the option to identify Subsequent Entries as either (1) WEB entries or, (2) as TEL entries if the terms of the Standing Authorization permit the Receiver to initiate the Subsequent Entries via a telephone call. A TEL Entry is a debit Entry to a Consumer Account originated based on an oral authorization provided to the Originator by a Consumer Receiver via the telephone. *Note:* An Originator may not identify these subsequent Entries as PPD Entries.

When the TEL SEC Code is used for a Subsequent Entry, certain portions of the TEL rules (Subsection 2.5.15 Specific Provisions for TEL Entries (Telephone-Initiated Entry) would apply, in addition to general requirements for consumer debit entries.

- Standing Authorization for Debit Entries to Consumer Accounts - Subsection 2.3.2.5



Can a Subsequent Entry be a Recurring Entry?



No. Once set up, Recurring Entries require no additional action to be taken by the Receiver for the payments to be initiated. Subsequent Entries initiated in accordance with the terms of a Standing Authorization require an affirmative action to be taken by the Receiver for the initiation of each individual payment.

ACH Operating Rules Resource:

- Recurring Entry – Section 8.88
- Subsequent Entry – Section 8.108





Are there new data security requirements for Oral Authorizations?



Yes. In any situation where a consumer (Receiver's) Oral Authorization is conveyed to the Originator via the Internet or other unsecured electronic network (e.g., Alexa, Siri), the Originator must ensure that the banking information is encrypted or transmitted via a secure session, as required by Article One, Section 1.7 (Secure Transmission of ACH Information via Unsecured Electronic Networks).

ACH Operating Rules Resource:

- Oral Authorization for Debit Entries to Consumer Accounts - Subsection 2.3.2.4



For a Standing Authorization obtained orally or on paper, if the first entry is initiated via the Internet as a WEB debit entry, does the Originator have to perform the required account validation?



Yes. When a Subsequent Entry uses the WEB Standard Entry Class (SEC) Code, the requirement for Use of Fraud Detection systems apply to such a WEB debit entry. Therefore, when an account number is used for the first time in a WEB debit Subsequent Entry, it must be validated.

ACH Operating Rules Resource:

- Specific Provisions for WEB Entries (Internet-Initiated/Mobile Entry) – Subsection 2.5.17



If a Standing Authorization is obtained via the Internet, but the first Subsequent Entry is initiated using the TEL SEC Code, is the Originator subject to the WEB debit account validation requirement?



No. When a Subsequent Entry uses the TEL SEC Code due to the Receiver's affirmative action for the initiation being communicated orally via a telephone call the WEB debit requirement for account validation would not apply. It should be noted that requirements for TEL entries, except those for the Authorization of TEL entries, would apply to the TEL Subsequent Entry.

If the Originator later uses the WEB SEC Code for Subsequent Entries from the Receiver's same account number, the WEB debit would not be the first use of the account number. Therefore, the requirement for the Originator to validate the account number would not apply.

ACH Operating Rules Resource:

- Specific Provisions for TEL Entries (Telephone-Initiated Entry) – Subsection 2.5.15

