CFO Leadership Council & Nacha Survey on Payment Trends

Agenda

- **First 10 min:**
- Overview ACH Network and Nacha
- CFO Leadership Council Payment Survey Summary
- Your Questions About ACH Payments
- **Remaining 50 min:**
- CFO Roundtable Discussion with CFOLC members

Your Roundtable Moderators Today:

From The CFO Leadership Council



Jack McCullough
President and Founder
CFO Leadership Council



RD Whitney
Chief Operating Officer
CFO Leadership Council

From NACHA



George Throckmorton
Managing Director
NACHA

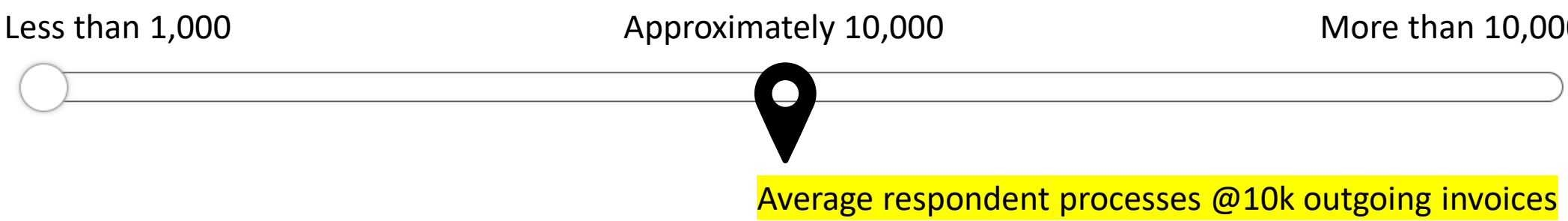


Rob Unger
Senior Director – Product
NACHA

Payment Best Practices

This member survey is being conducted to understand payment methods and trends. Collected data will be provided back to members in aggregate at a virtual CFOLC Roundtable member discussion on Aug 24th. The goal of this meeting will be to highlight payment trends and surface best practices.

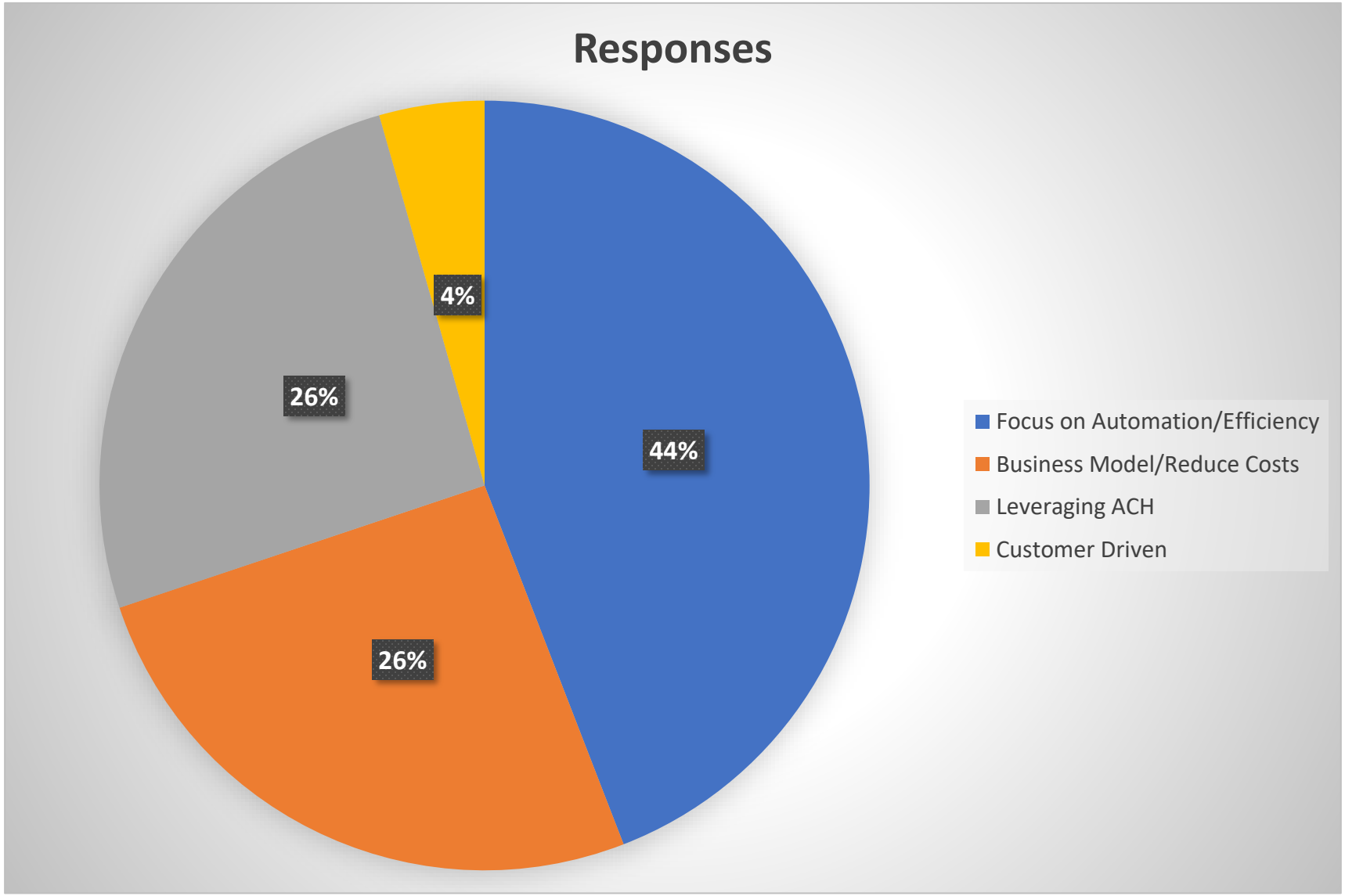
1. What is your estimated volume of **outgoing** payments per year?



2. Estimate the percentage of your **outgoing** payment types.
Each column should = 100%

	% 3 years ago	% Today		% In 3 years	
Check	57%	38%	↓	23%	↓
Card	13%	17%	↑	20%	↑
Wire	8%	8%	→	5%	→
ACH	21%	35%	↑	48%	↑
Other	0%	2%	→	5%	→

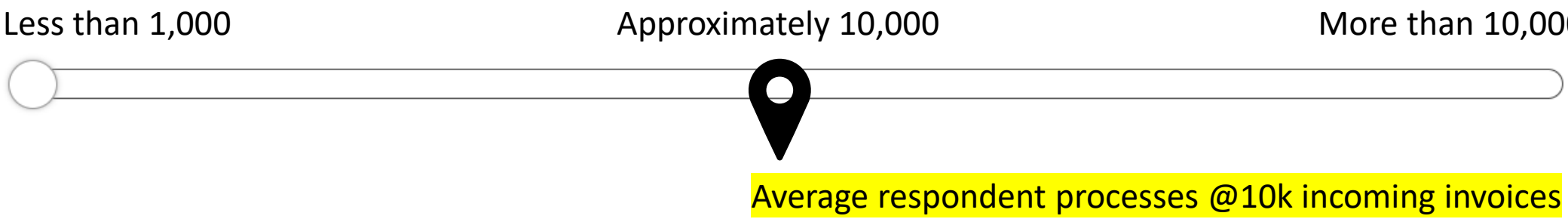
If your outgoing payment types have changed or will change, why?



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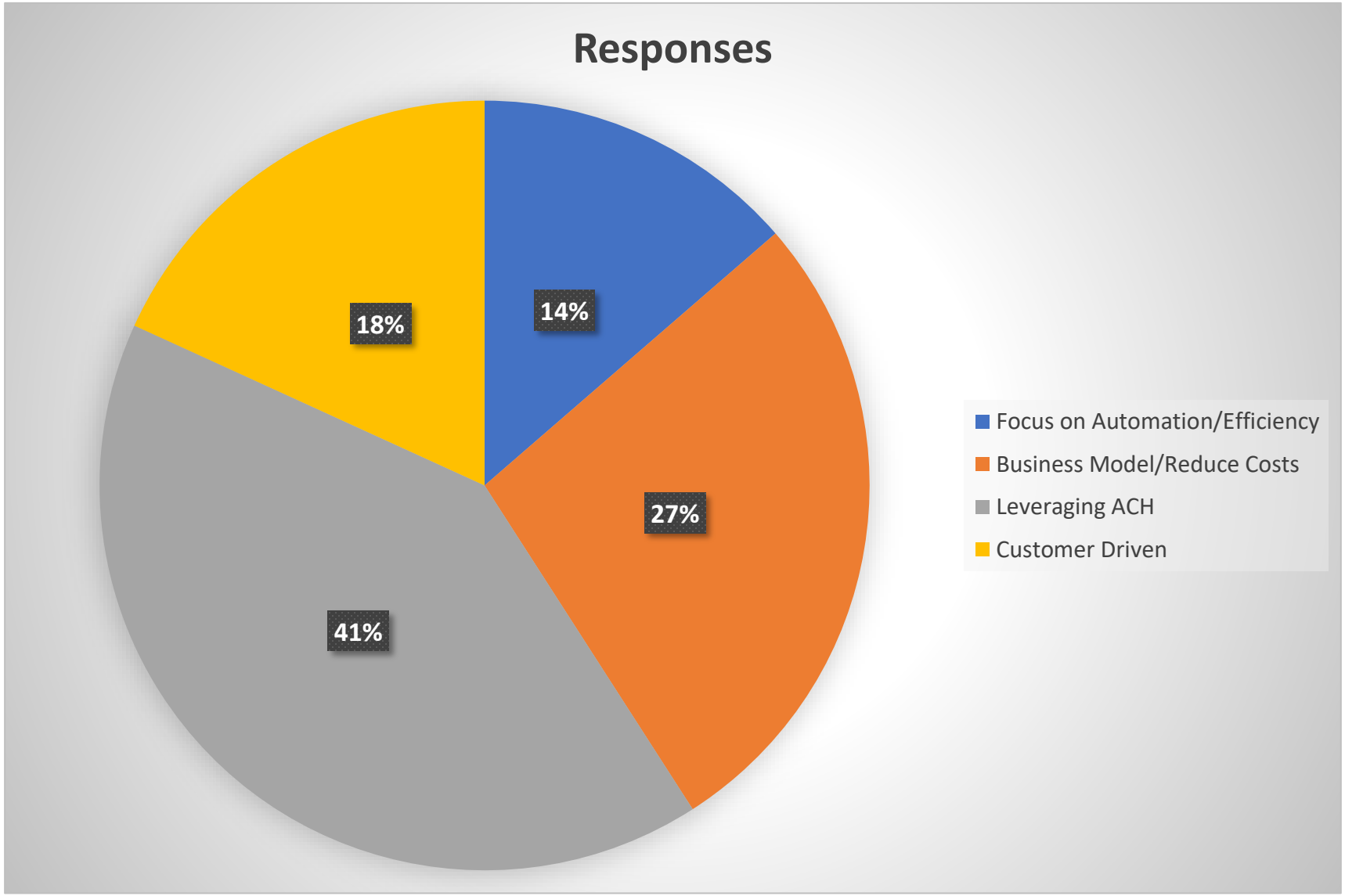
1. What is your estimated volume of **incoming** payments per year?



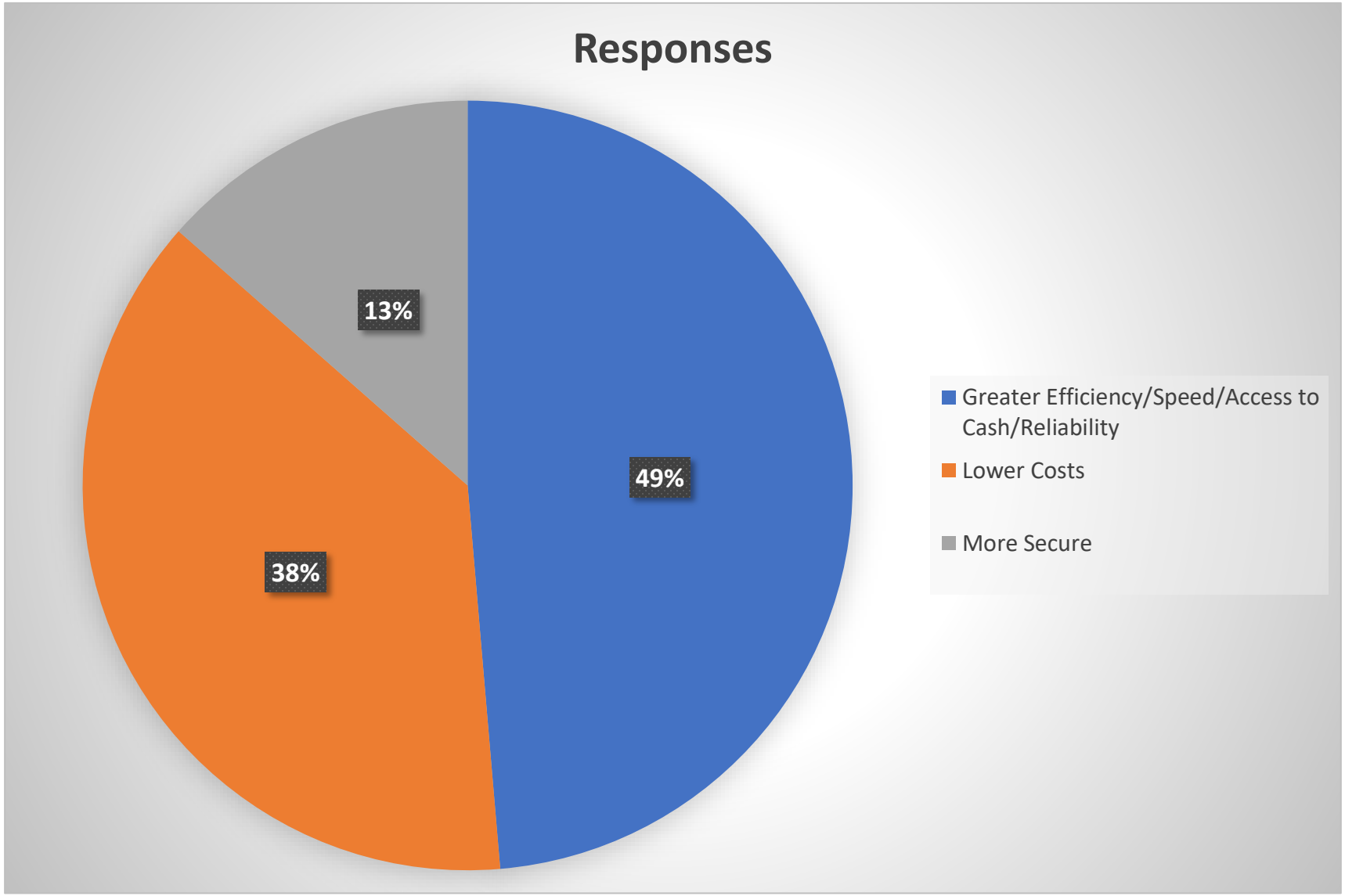
2. Estimate the percentage of your **incoming** payment types.
Each column should = 100%

	% 3 years ago	% Today		% In 3 years	
Check	60%	36%	↓	22%	↓
Card	13%	15%	↑	17%	↑
Wire	8%	9%	→	8%	→
ACH	17%	36%	↑	48%	↑
Other	2%	4%	→	6%	→

If your incoming payment types have changed or will change, why?



Describe the benefits of ACH



The ACH Payment Network

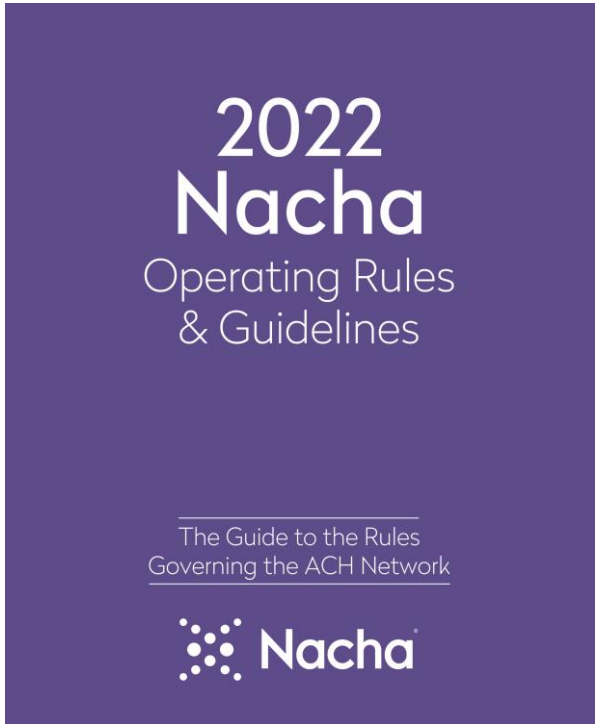
- The ACH Network is used for business, government and consumer domestic and international payments
- Funds are moved between bank accounts by the banks
- Payments settle within 1 day for “Classic ACH”; payments settle in the same day for “Same Day ACH”
- The Network is governed by Nacha



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Nacha

Nacha governs the thriving ACH Network, the payment system that drives safe, smart, and fast Direct Deposits and Direct Payments with the capability to reach all U.S. bank and credit union accounts. More than 29 billion ACH Network payments were made in 2021, valued at close to $73 trillion.



- Provides a common set of rules and formats
- Establishes the legal foundation for the ACH Network
- Creates certainty and interoperability
- Defines roles and responsibilities

https://www.nacha.org/rules

www.nacha.org

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Describe the friction of ACH *(EDITORIAL NOTE: Most of these issues are not ACH issues!)*

Issue	Sample Verbatims/Description
Internal systems	• Not setup for batch processing like a check run. We have to enter each payment individually. • Bank systems, and then double entry with GL. • Initial tech set-up, training. • Currently, just our internal synching to our software.
Data	• Doesn't provide remittance of all the invoices paid, name on ACH can be different & make it hard to track/post, have to manually post each payment to the invoices in ERP. • Remittance limitations. • Dealing with banking information sending/receiving … reconciliation issues. • ACH credits - lack of identifying what the payment is for
Internal controls	• Confirmation of valid bank account info -- the potential for fraud. • Data security • Making sure the vendors haven't changed accounts or banks. Being concerned about fraud. Segregation of duty with entering/updating bank account information vs making the payments.
Customer/vendor issues	• Getting our suppliers to accept. Customer resistance. • Resistance to signing up or sharing information • Customers don't note an invoice reference, so cash application Is difficult. • ACH debits - some customers don't want to give up control of payment timing. • Convincing clients that we will be responsible with their banking information and the authorization to pull funds, daily limits.
Other	• NACHA rules require banks to set periodic limits.

How can ACH improve?

Quote: "It is pretty easy. Not sure why anyone would complain."

Non-ACH Recommendations	Sample Verbatims/Description
Internal Systems	• Allowing transactions via accounting software. • Better integration with bank and GL so no double entry. • Better linkage to ERP systems. • Having a way for client to enter their data and authorization directly into a portal so we don't have to store it • Automatically processing payments based on variable invoice amounts (we use a consumption-based model of billing, so Invoice amounts change month to month).
Data	• Expanded remittance advice. • Provide secure and easy ways to provide account information, provide relevant payment information that would be on a check stub. • If it's a vendor payment the invoice reference should be mandatory. • Automated payment notifications.
Internal Controls/Bank Account Controls	• Security to reduce risk of fraud and good process to reduce segregation of duty conflicts. • More flexibility in activity limits/Increase daily limits. • Better technology from our bank and lower cost structure.

ACH Recommendations	Sample VerbatimsDescription
Improved Fraud/Risk Mitigation	• Improve validation of bank accounts. • Verification on banking end to ensure credentials of payee/ payee account match
Speed	• Faster • improve processing timelines (may take up to 3 days currently). • Same day.

Resources

- Payment data validation
  - Nacha's Phixius service: https://www.nacha.org/content/phixius
- ACH education - https://www.nacha.org/content/education
  - Payments conference, ACH Accredited Professional certification, The Payments Institute, The Payments Innovation Alliance
- Nacha consulting: https://www.nacha.org/consulting

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Let’s Discuss Payments