

Client Alert

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NACHA White Paper Discusses Mobile Payments with ACH

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On March 10, 2015, the Payments Innovation Alliance of NACHA—The Electronic Payments Association (“Alliance”) released a white paper, entitled “Leveraging the Mobile Channel for ACH Payment Innovation.” The white paper provides an overview of the mobile payments landscape and focuses on the use of mobile devices for ACH transactions. According to the Alliance, because of the increasing options for making mobile payments and the growing use of mobile devices, the payments industry is at an “important crossroad” with respect to mobile payments.

The white paper emphasizes that in utilizing the mobile channel for ACH transactions, the rules and regulations applicable to ACH payments apply, as do the notice, disclosure and data protection requirements. The white paper notes that despite the small screen size of mobile devices, products and services delivered on such devices must provide appropriate disclosures and disclaimers, ensure the ability of consumers to read and understand terms and conditions, ensure the ability to make clear choices and understand fees and charges, and ensure the ability to retain copies of terms and receipts. The white paper also notes legal requirements that may apply, such as the Telephone Consumer Protection Act and the Children’s Online Privacy Protection Act.

In addition, the white paper seeks to promote ACH-based mobile payments and discusses certain risks and challenges associated with using the mobile channel for ACH. For example, the white paper provides an overview of data security best practices for mobile device users, including keeping operating systems and apps up to date, as well as for app developers, such as keeping in mind the various levels of risk associated with different types of payments. Concerning technological challenges, the white paper notes that the limitations created by the small size of mobile devices “tend to create more reliance on the Cloud, which comes with its own risks.” Risk mitigation techniques include layered authentication that may include biometrics, geolocation or device verification.

The White paper concludes by stating that while current use of mobile payments via ACH is limited, “[t]here is potential for dramatic growth as utilizing the mobile channel for ACH payments creates a ubiquitous low-cost means for accessing payments.”

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