

## Low-value payments – do banks really need ACHs ?

Tuesday 16 September – 16:00-17:00

### Rethinking the ACH model

Can ACHs still provide valuable services in an increasingly commoditised market?

The question of whether banks really need automated clearing houses (ACHs) may well be a grey area, not to mention a provocative one. But when asked at the end of the session, 'Low value payments – do banks really need ACHs?', the speakers from VocaLink, The Clearing House and First Data answered affirmatively. It was left to the panel's only banking speaker, ANZ's head of payments risk industry, Paul Inglis, to say no, although he admitted that Australia, a country without an ACH for low-value payments, is moving to adopt some of the features and functionality.

Marion King, VocaLink's CEO, was the first to recognise that ACHs are in the doldrums. "The traditional model has to go. We have to move on. The ACH community needs some fresh thinking." King vociferously called for some innovation within the industry, with payment

systems that will be able to align in future with mobile and electronic banking.

#### Real-time challenge

Immediate settlement is a crucial issue that ACHs need to address. First Data's European payments adviser, John Chaplin, acknowledged the difficulty of providing real-time settlement. "Real-time technology is very expensive and is a line that is difficult for an ACH to cross," he observed. However, King emphasised the importance of immediate settlement in a world of increasing financial risks and volatility. She also highlighted the need to redefine the boundary between low- and high-value payments, but at the same time emphasised the need for selection. "There should be convergence in some cases, but the industry must be selective and only clear certain high-value payments through low-value clearing houses."



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Marion King, VocaLink

Another issue discussed by the panel was that of establishing payment system standards for the industry. Rossana Salaris, senior vice president and electronic payments network business manager, The Clearing House, highlighted the role of NACHA as the US's payments rule-making body.

"All the operators need to abide by the same set of rules and NACHA takes the lead in defining these rules." The International Payments Framework (IPF) has been looking at these rules and at how to handle low-value cross-border payments in a standardised way. <<