

Connecting mobiles to ACH networks

Aptys, a US-based company, has developed a mobile reader which can convert cheques into ACH payments in a matter of seconds, significantly reducing the time lag between the receipt of a payment and settlement. **Charles Davis** reports on the technology and its applications

A Texas startup company is developing a solution to one of the last obstacles to widespread adoption of mobile business-to-business payments.

Aptys Solutions, a Texas-based entrant in the mobile payments market, has built a mobile reader that allows mobile phones to convert checks into ACH payments in seconds.

Mobile phones can already be used to accept credit cards and to convert paper checks into digital images, but to date there has been no solution aimed at connecting mobile devices to the ACH network, a huge part of the business-to-business payments mix.

Mobile ACH conversion could be a huge step forward for the mobile payments market, as the ACH channel is particularly appealing for business-to-business transactions where checks remain the dominant method of payment.

The Aptys solution requires a hardware add-on that allows phones to read the magnetic ink character recognition line on paper checks to create an ACH file. Beyond the addition of the add-on, the Aptys solution does not require any change in behaviour on the part of the company making the payment.

Aptys, which launched in April, markets payment processing technology solutions to banks and correspondent banks. Its main product is PayHUB, a treasury-management system that handles multiple payment types on a common platform, which Aptys says will reduce cost and complexity for its users. This infrastructure makes technology such as the MICR-scanning system possible.

Integration is key

Aptys' mobile check scanner is expected to be unveiled later this year, and likely will resemble Square's credit card reader, a small plastic gadget that connects to the headphone port of a mobile device and interprets payment data as an audio signal.

Aptys said its solution is aimed at integrating all of a financial institution's payments through a single system. PayHUB hopes to fill this gap by effectively assisting financial institutions in growing revenues and attracting new customers by offering an independ-

ent, browser-based system and offering new products and services to existing customers all while reducing costs.

"The banking industry has grown and evolved in a compartmentalized fashion, which has resulted in a great deal of inefficiency," said Sean Pennock, president of Aptys Solutions.

"The existing methodology for processing payments and image exchange has been a fact of life for financial institutions to date. We are providing an alternate, simpler approach to handling all types of payments and image exchange while also enabling financial institutions to regain paper cheque processing revenues and drive additional revenues through correspondent banking initiatives."

Aptys offers PayHub through a Web browser, which takes about 30 days to activate. The company also can host the system if financial companies prefer.

How it works

To get started, banks set up administrative protocols, which include the option to limit customer access. When chosen, the smaller financial institutions and their customers may only have access to ACH and check-image exchanges or just wire funds transfers. Enabling banks the option to restrict access can help reduce risk and generate more revenue.

By providing financial institutions the option of a single point of entry for all of their payment solutions, Aptys Solutions could free these institutions from the efficiency losses and expenses associated with managing multiple vendor relationships. More importantly, Aptys enables financial institutions to effectively generate revenue by processing payments through unique delivery channels to financial institutions in a correspondent banking relationship.

PayHub is supported by Microsoft 64-bit technology, which can process higher volumes of transactions than other processing systems. It also can enable Aptys to analyse transactions and provide instant feedback to banks. Additionally, PayHub captures transaction data in a single archive, which makes it easier for banks to access information. Eventually,

Aptys plans to enable banks to run analytics on specific archives to locate fraud or other trends across specific payment types.

"Because of Aptys Solutions' single-channel approach solution, financial institutions will not only be able to reduce the cost of managing multiple solutions, but also improve customer service," said Pennock. "Our solution is designed from the ground up with correspondent and community banks in mind and the true ROI of our service lies in the ease in which correspondent banks are able to provide enhanced customer support services through the solution's support tools."

Like the mobile market itself, the market for mobile payment acceptance is growing seemingly with each passing day. Besides Square's technology, which today works only with Apple's iPad tablet, VeriFone Holdings' has an iPhone card reader attachment sold in Apple retail stores, and Mitek Systems sells a check-imaging application that works with phones' built-in cameras to convert checks into digital images.

Such alternative payment providers as Obopay and the PayPal unit of eBay enable merchants to accept payments through phone software, and many conventional manufacturers of payment card readers sell portable versions of their products.

Aptys' technology stands apart, however, as it serves a definite business need – narrowing the time gap between the receipt of a payment and its settlement. Cutting that time lag down by even one day is a huge selling point for merchants.

One main PayHub benefit for banks is the opportunity to save money by using a single system. The price to use PayHub varies and is customised depending on whether a bank wants to operate the system in-house, have Aptys host it, or operate as a software-as-a-service model. A bank's transaction volume also is taken into consideration. In-house includes license fees and annual maintenance, software-as-a-service includes a monthly fee, and hosted services include a combination of fees.

Whether that alone can convince merchants to sign on to a service that requires an add-on piece of hardware is anyone's guess. ■