



# Same Day ACH: It's Here, You Need to Prepare

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# A lot of This





# What It Means

- Background
- Why
- When it Happens
- How it Happens
- Preparation
- Other Industry Activity
- Questions



# Level Set

**“Same Day ACH  
is not  
Real Time Payments”**

***Jan Estep, President, NACHA  
MACHA Annual Payments Seminar September 2015***



# Level Set

**Same Day ACH is not Voluntary  
Every Financial Institution must  
prepare to possibly  
receive ACH entries  
with Same Day Settlement**



# Approved

- NACHA Voting Membership
- Approved ballot
- May 18, 2015
  - *NACHA balloted a Rules proposal on Same Day ACH that provides a new, ubiquitous capability for moving ACH payments faster. The Rule amends the NACHA Operating Rules to enable the same-day processing of virtually any ACH payment.*



# Federal Reserve Bank

- Request for Comment – May 27, 2015
  - <https://www.federalregister.gov/articles/2015/05/27/2015-12739/enhancements-to-federal-reserve-bank-same-day-ach-service-request-for-comments>
    - Mandatory provision
    - Interbank fee
- Comments Received by July 2, 2015
  - [http://www.federalreserve.gov/apps/foia/ViewComments.aspx?doc\\_id=OP-1515&doc\\_ver=1](http://www.federalreserve.gov/apps/foia/ViewComments.aspx?doc_id=OP-1515&doc_ver=1)



# When It Happens

## Phase 1

- September 23, 2016

## Phase 2

- September 15, 2017

## Phase 3

- March 16, 2018





# Elevator Speech

**1.4 Billion**

- Estimated Number of Same Day ACH by 2027

**60%**

- Volume Expected from Existing ACH

**5.2 cents**

- Per Transaction Fee paid by ODFIs

**3**

- Number of Final Settlements Each Day

**\$25,000**

- Dollar limit of individual ACH entries eligible

**3 Phases**

- Implementation occurs over 3 years
- 2016-2018



# Why *(not my words or thoughts)*

- The ACH Network processes about 71 million ACH payments every business day.
  - Originators and Receivers of many of these payments would benefit from same-day processing and faster funds availability.
- Same Day ACH addresses needs of end-users:
  - Payroll products to better support hourly workers and other payroll needs;
  - Bill payments and invoices due on that day;
  - Billers and banks looking to better manage credit risk and returns;
  - Moving payment-related remittance information on the same day.
- Same Day ACH is an immediate action that can be taken to modernize the payment system, while utilizing a balanced approach among originating and receiving financial institutions:
  - Creates a foundation on which financial institutions can build other services;
  - Demonstrates that financial institutions can move forward to advance the payment system.



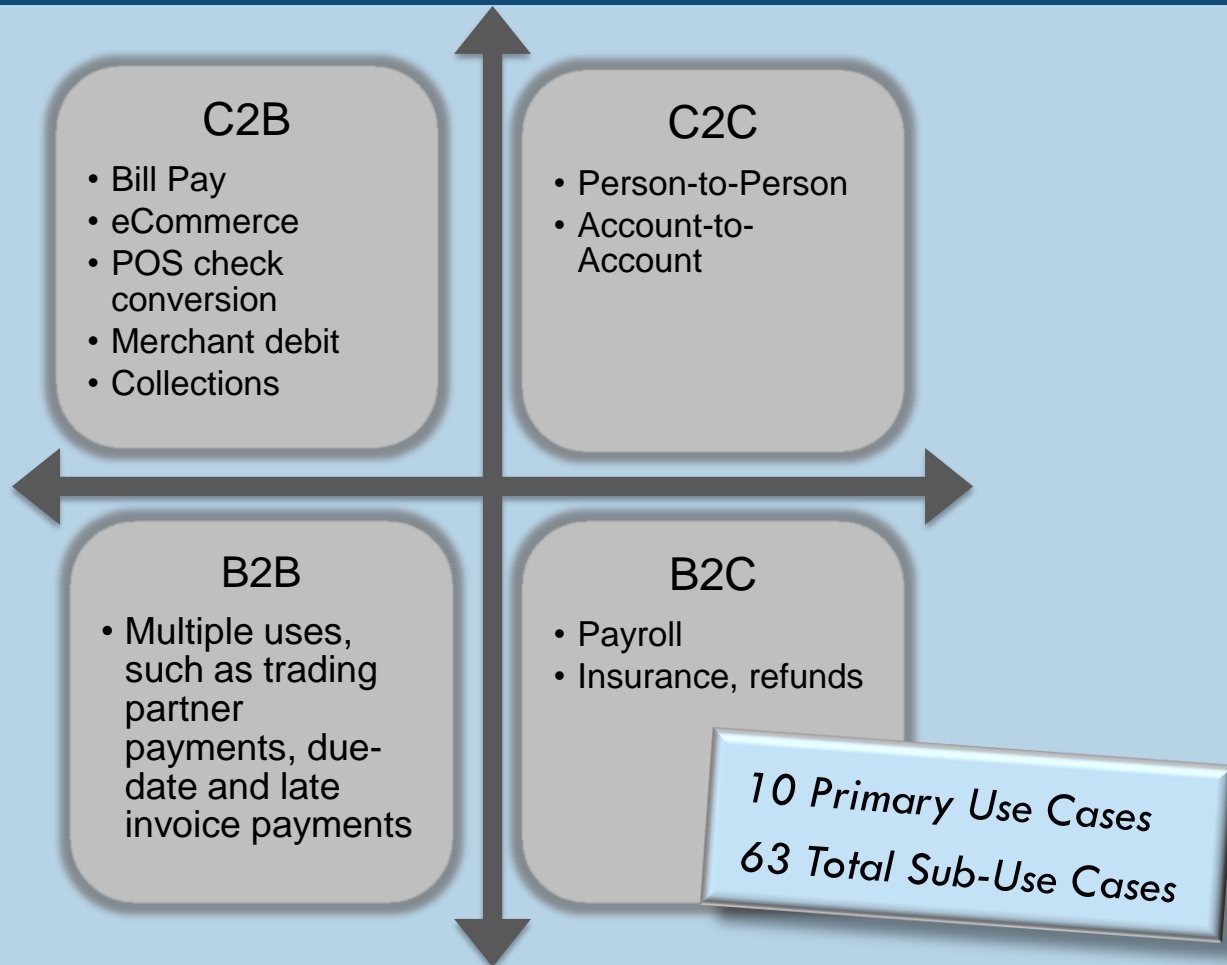
# Thumbnail

- Same Day ACH will enable the same-day processing of virtually any ACH payment.
- Same Day ACH meets the needs of end-users for use cases such as payroll, bill payment, business-to-business payments, and account-to-account transfers.
- The Same Day Entry fee paid from the ODFI to the RDFI would provide, on average, recovery of implementation and operating costs, plus a reasonable rate of return, for RDFIs to enable Same Day ACH.
- Same Day ACH will be implemented in three phases, beginning with Same Day ACH credits in September 2016; Same Day ACH debits in September 2017; and faster funds availability in March 2018.
- Same Day ACH is an immediate action that financial institutions can take to modernize the payment system, with functionality that can be leveraged in the future for real-time payments.



# Major Use Cases for Same Day ACH are Projected to Generate 1.4 Billion Transactions

**Over 60% of estimated Same Day ACH volume comes from existing ACH**





# Most Important Slide

## Close Anyway

To ease the industry's implementation effort, the new ACH Network functionality would be implemented across three implementation phases.

<b>Functionality</b>	<b>Phase 1 Sept. 23, 2016</b>	<b>Phase 2 Sept. 15, 2017</b>	<b>Phase 3 March 16, 2018</b>
Transaction Eligibility (\$25,000 limit; IAT not eligible)	Credits only	Credits and debits	Credits and debits
New Same Day ACH Processing Deadlines <sup>4</sup>	10:30 AM ET and 2:45 PM ET	10:30 AM ET and 2:45 PM ET	10:30 AM ET and 2:45 PM ET
New Settlement Time(s)	1:00 PM ET and 5:00 PM ET	1:00 PM ET and 5:00 PM ET	1:00 PM ET and 5:00 PM ET
ACH Credit Funds Availability	End of RDFI's processing day	End of RDFI's processing day	5:00 PM RDFI local time



# Funds Availability

- Phase 1 & 2
  - Not required to be available for “*withdrawal*” on Settlement Date
    - End of Day
  - Posted with the Settlement Date to Account
- Phase 3
  - Funds availability for credits by 5:00 pm local time



# What's Eligible

## Most all ACH transactions, including credits and debits, will be eligible

- Same-day ACH credits would support use cases such as payroll, business-to-business, bill payment, and person-to-person payments.
  - Same-day ACH debits would support use cases such as bill payment, account-to-account transfers, check conversion, business-to-business, and e-commerce payments.
  - Most non-monetary transactions – prenotifications, notifications of changes, zero-dollar remittance information transactions, etc. – will also be eligible for same-day processing.
- **The only ACH transactions that will be ineligible for same-day processing will be international transactions (IATs) and any large-dollar transactions (over \$25,000). All SEC codes eligible except IAT**
    - The **\$25,000** transaction limit applies to **individual** transactions; i.e., a single same-day ACH transaction could not be for more than \$25,000. There would be no limit on the aggregate value of a batch of same-day transactions.



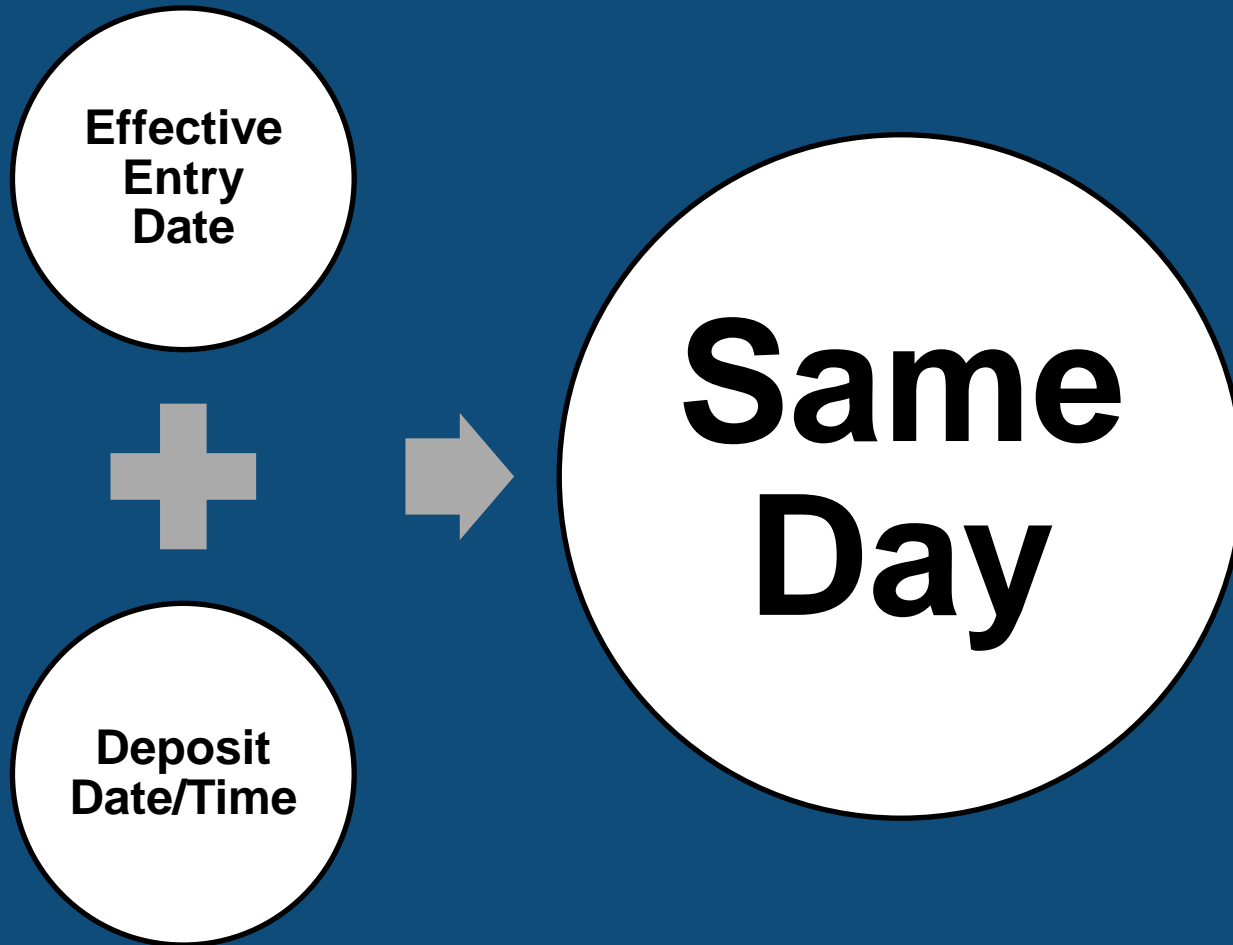
# No Format Change

- Same Day ACH transactions would be identified by the ODFI and its Originator by using the current day's date in the **Effective Entry Date** field of the batch of ACH transactions.
  - For example, transactions originated on October 25, 2016 that are intended for same-day processing should include an Effective Entry Date of “161025” in the Batch Header Record.
    - The NACHA Rules already provide that “the Effective Entry Date is the date specified by the Originator on which it intends a batch of Entries to be settled.”
- Additionally, ACH transactions with a current day Effective Entry Date would need **to meet an ACH Operator's submission deadline for same-day processing.**
  - For example, transactions originated on Tuesday, October 25, 2016 with an Effective Entry Date of “161025” would need to be submitted to an ACH Operator no later than the 2:45 p.m. deadline for same-day settlement.
    - These transactions would be assessed the Same Day Entry fee.





# All About That Date





# Example

Files submitted on October 4, 2016

Effective Entry Date = YYYYMMDD	Submitted 2:16 am – 10:30 am	Submitted 10:31 am – 2:45 pm	Submitted 2:46 pm – 2:15 am
161004 (today)	<b>1:00 pm 10/04/16</b>	<b>5:00 pm 10/04/16</b>	8:30 am 10/05/16
161003 (stale)	<b>1:00 pm 10/04/16</b>	<b>5:00 pm 10/04/16</b>	8:30 am 10/05/16
161005 (tomorrow)	8:30 am 10/05/16	8:30 am 10/05/16	8:30 am 10/05/16
161004 (over \$25,000 or IATs)	8:30 am 10/05/16	8:30 am 10/05/16	8:30 am 10/05/16

Items in **Red** are Same Day Entries and will be assessed the 5.2 cents

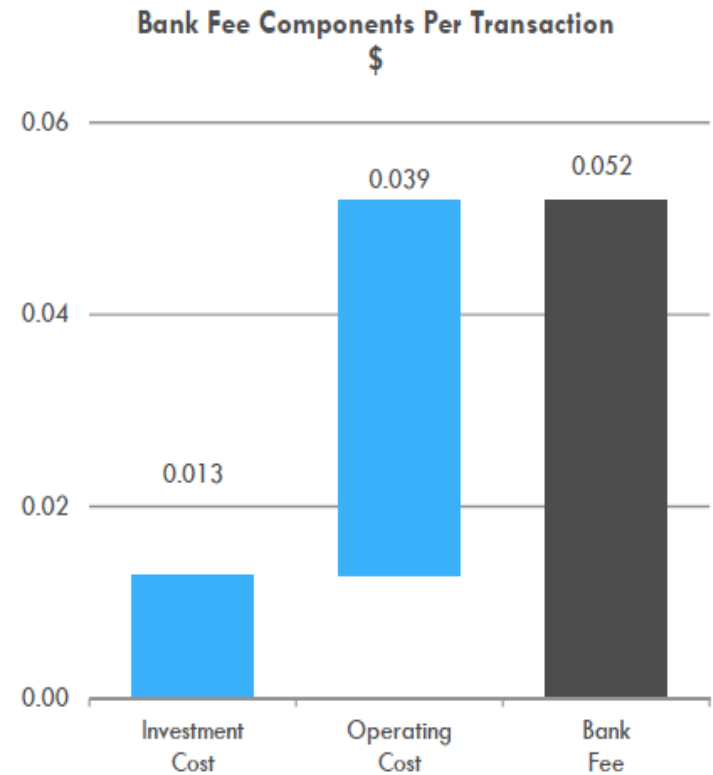


# ODFI pays RDFI

Based on the estimated costs and Same Day ACH volume quantified in the research, the resulting Same Day Entry fee will be **5.2 cents** per same-day ACH transaction.

## Total RDFI cost summary

- One time investment costs of \$118 MM
- Operating costs grow from \$6MM in 2016 to \$49MM in 2027 annually
- SDA 2027 volume projection of 1.4B





# Does the Fee Change

- **Current Cost Recovery timeframe for RDFIs is 11.5 years**
- *Rules* requires NACHA to re-evaluate fee
- After 5 years actual volume will be compared to projected volume
  - If exceeded by 25% fee likely to be reduced
    - Fee cannot be increased at this point
- Another review after 8 years
- After 10 years
  - New economic analysis
  - Determination of new fee amount



# Returns Processing

- This rule will allow for the same-day processing of returns, regardless of whether the forward transaction is a same-day transaction or not.
- Returns that are settled on a same-day basis are not subject to the Same Day Entry fee, and are not subject to the eligibility limit on forward transactions (i.e., \$25,000 per transaction; IAT).
- **An RDFI is not required to process returns on the same day an Entry is received**, regardless of whether the entry is a Same Day entry.
  - For example, if an RDFI receives a same-day ACH debit on April 28 that is NSF, it is not required to send the return on April 28.
  - The RDFI would be required to send the return so that it is available to the ODFI by the opening of business on April 30 (i.e., opening of business 2 days after the original April 28 settlement).



# Returns & Settlement

- Deposit 10:30 am = Settlement 1:00 pm
- Deposit 2:45 pm = Settlement 5:00 pm
- Deposit 4:00 pm = Settlement 5:30 pm
- After 4:00 pm = Settlement Next Day



# RDFI Considerations

## **Receipt of Same Day Entries is not optional for RDFIs**

- RDFIs should review procedures and resources for processing files in the new delivery windows
- RDFIs should process entries based on the Settlement Date provided by the ACH Operator. RDFIs do not need to review Effective Entry Date or any other indicator to determine processing.
- RDFIs do not need to determine same day eligibility for processing. The ACH Operators will review and include only same day eligible entries within the same day processing windows.
- In the first phase, RDFIs will only receive credit entries as same day entries. Beginning in Phase 2, RDFIs should be prepared to also receive debit entries as same day entries. With all phases settlement will occur at 1:00 and 5:00 pm ET.



# RDFI Considerations

- Determine whether to use the new same-day processing windows to send returns and Notifications of change (NOCs).
  - Returns will be allowed, whether or not the forward transaction is a same-day transaction, to be sent and processed through the same-day clearing and settlement schedules offered by the ACH Operators. RDFIs will not be required, however, to send same-day returns.
  - NOCs may also be sent as same day entries but are not required to be.
- Review downstream applications and systems that may be impacted by Same Day Entries.
- Same Day ACH does not alter current processing schedules from the ACH Operator.





# The Effective Entry Date

**My prediction = there  
will be lots of  
“unintended”  
Same Day ACH  
Entries**



# ODFI Considerations

## Same Day ACH services is optional for ODFIs

- Determine if ODFI will offer the service
  - Review and revise internal processing schedules and procedures
  - Review downstream applications and systems impacted
    - Including Credit and Security Management
- Communicate with Originators and Third-Parties on Same Day Entries
  - Discuss proper use of the Effective Entry Date and impacts of improper Effective Entry Dates.
    - Decide how the ODFI will handle or hold files if necessary
  - Discuss eligibility requirements for Same Day Entries



# ODFI Implementation

- Vetted Originators
  - New/Updated Agreements
- Risk Management
  - Exposure Limits
  - Authentication
  - Settlement
- Communication
- **Effective Entry Date Field**
- ACH Operator Deadlines/Processor Deadlines
  - Settlement to Originators
  - On Us Entries
- Returns & NOCs
- Fees



# ODFI Thinking

- With the increased speed of Same Day entries, the importance of good authentication methods and security around file delivery is increased
- ODFI should review policies for Originator Settlement
  - Balanced Files – okay – as long as your system will release
  - Pre-Funding process
  - With \$25,000 per entry limit, off-set may not be eligible for Same Day
- Some Originators may attempt to split \$25,000+ items into two or more entries. ODFIs should monitor for this and educate Originators
  - The ACH Rules Enforcement Panel will have final authority on any instances when it appears that an ODFI, Originator or Third-Party Sender is attempting to evade the limit.
- ODFI should ensure Originators have clearly communicated use of same day debit with Receivers. Receiver needs to understand when their account will be debited
  - For bill payment Originator should also ensure Receiver knows when their account with the biller will be credited for the payment
  - Same Day ACH debits become available in Phase 2



# Recap Preparation

## RDFI - Receiving

- File Delivery/Pick Up/Processing
- Reconciliation
- Financial Position
- Returns
- Funds Availability

## ODFI - Origination

- Choice
- Agreements
- Processing
- Financial Position
- Fees
- Risk Management



# NACHA Resource

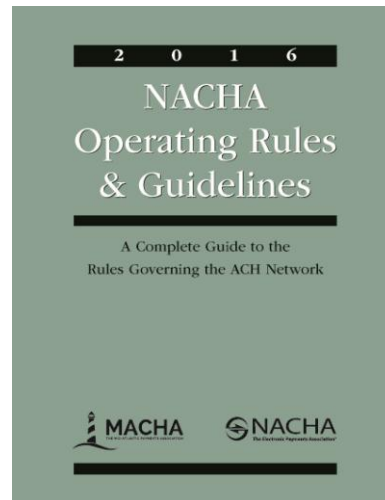
- NACHA Website - Same Day ACH
- [www.nacha.org/content/same-day-ach](https://www.nacha.org/content/same-day-ach)

The screenshot shows a web browser window displaying the NACHA website. The browser's address bar shows the URL <https://www.nacha.org/content/same-day-ach>. The NACHA logo is prominently displayed at the top left, with the tagline "The Electronic Payments Association". A navigation menu includes links for "MEMBERS AND COMMUNITY", "NACHA OPERATING RULES", "EDUCATION AND EVENTS", "RISK MANAGEMENT", "PAYMENTS IN ACTION", and "NACHA AND THE ACH NETWORK". A search bar is located to the right of the logo. Below the navigation menu, the page title is "Same Day ACH". A large banner features the text "Moving Payments Faster" and "Meeting the Demands of Today and Tomorrow". A paragraph of text explains that NACHA, along with the industry, is moving payments faster with Same Day ACH, providing a ubiquitous same-day clearing and settlement capability for virtually all ACH payments. Below this text is a video player titled "Same Day ACH: The Future of Faster is Now" with a "LEARN" button. The video player shows a hand pointing at a whiteboard with a diagram of the ACH network and a "LEARN" button. The desktop taskbar at the bottom shows the Windows Start button, several application icons, and the system tray with the date and time "12:11 PM 7/20/2015".



# Rules Pages

- **[www.achrulesonline.org](http://www.achrulesonline.org)**
- The new *Rules* are posted in the
  - Supplement Section online
  - In the *Rules* Revision section in the new book





# Other “Faster Activities”

- **Federal Reserve Bank**

- Faster Payments Task Force

- Strategies for Improving the Payment Systems
  - [www.fedpaymentsimprovement.org](http://www.fedpaymentsimprovement.org)

- **The Clearing House**

- Secure, Real Time Payment System

- <https://www.theclearinghouse.org/press-room/in-the-news/2014/10/20141022-tch-to-develop-real-time-payments-system>

- **Consumer Financial Protection Bureau**

- Guiding Principles for Faster Payment Networks

- <http://www.consumerfinance.gov/newsroom/cfpb-outlines-guiding-principles-for-faster-payment-networks/>





**Okay – Fire  
Away with those  
Questions – or  
maybe not if we  
are out of time!!!!**



# Talking Payments

- **Kimberly W. Rector, AAP**
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