



NACHA Invites Comments on Same Day ACH to Move Payments Faster

Executive Summary **December 8, 2014**

NACHA invites comments on a proposal to provide a new, ubiquitous capability for moving ACH payments faster. The proposal would amend the *NACHA Operating Rules* to enable the same-day processing of virtually any ACH payment.

Currently, most ACH payments are settled on the next business day. There are many uses of ACH payments, however, for which businesses and consumers could benefit from same-day processing. A NACHA rule change would enable ACH Originators that desire same-day processing the option to send same-day ACH transactions to accounts at any receiving financial institution (RDFI).

Today, NACHA is issuing this proposal to generate feedback on the proposed new Same Day ACH Network functionality, and to stimulate industry thinking about the uses for moving payments faster via Same Day ACH. NACHA is accepting comments through Friday, February 6, 2015. NACHA encourages responses from all ACH Network participants and interested parties.

THE MAJOR COMPONENTS OF THE PROPOSAL ARE:

1. The proposal would enable the option for same-day ACH payments through new ACH Network functionality, without affecting existing ACH schedules and capabilities:
 - Originating financial institutions (ODFIs) would be able to submit files of same-day ACH payments through two new clearing windows provided by the ACH Operators¹:
 - A morning window at 10:00 a.m. ET², with settlement occurring at 12:00 noon.
 - An afternoon window at 3:00 p.m. ET, with settlement occurring at 5:00 p.m.
 - Virtually all types of ACH payments, including both credits and debits, would be eligible for same-day processing. Only international transactions (IATs) and high-value transactions above \$25,000 would not be eligible.
 - All RDFIs would be mandated to receive same-day ACH payments, thereby giving ODFIs and Originators the certainty of being able to send same-day ACH payments to accounts at all RDFIs.
 - RDFIs would be mandated to make funds available from same day ACH credits (such as payroll Direct Deposits) to their depositors by 5:00 p.m. local time.
 - To allow financial institutions and businesses to acclimate to a faster processing environment, as well as to ease the implementation effort, these new capabilities would become effective over three phases beginning in September 2016.

¹ The ACH Operator schedules are not determined by the NACHA Operating Rules, and the inclusion of ACH Operator schedules and other functions in this proposal should not be interpreted as an endorsement by either ACH Operator.

² All times are stated in Eastern Time, unless otherwise noted.

2. The proposal is based on a solid foundation of research on the use cases for Same Day ACH:
 - All consumers, businesses, government entities and financial institutions that use the ACH Network to move money between bank accounts will benefit from the option to move ACH payments faster.
 - NACHA projects that ACH Originators would generate approximately 1.4 billion same-day ACH payments annually as of ten years after full implementation and rollout.
 - Using an expert, third-party consultant, NACHA assessed 10 primary use cases for Same Day ACH (and a total of 63 sub-use cases). Significant use cases for Same Day ACH include:
 1. Business to-Business payments, enabling faster settlement of invoice payments between trading partners, and including remittance information with the payments;
 2. Same-day payrolls, supporting business' needs to pay hourly workers, and providing flexibility for late and emergency payrolls and missed deadlines; and enabling employees to have faster access to their pay in these cases;
 3. Expedited bill payments using both ACH credits and debits, enabling consumers to make on-time bill payments on due dates, and providing faster crediting for late payments; and,
 4. Account-to-account transfers, providing faster crediting for consumers who move money among various accounts they own.
3. The proposal outlines a balanced approach among ODFIs and RDFIs:
 - To create a new, viable capability for moving ACH payments faster, both ODFIs and RDFIs must see a rational business justification for making the required investments.
 - ODFIs would be able to develop Same Day ACH products and services for a variety of use cases that are enabled by the new ACH Network functionality.³ NACHA estimates that on average ODFIs would earn a positive margin on Same Day ACH products and services.
 - Implementing Same Day ACH would be mandatory for RDFIs, as they would be required to receive same-day ACH payments in order to provide certainty to Originators, but without certainty of recovering their costs. Therefore, the proposal includes a mechanism for RDFIs to recover their costs over a reasonable period for enabling and supporting Same Day ACH. NACHA estimates that an interbank fee paid from ODFIs to RDFIs of 8.2 cents per same-day ACH transaction would on average recover RDFIs' costs to build and operate the Same Day ACH capability.

WHAT'S DIFFERENT THIS TIME?

In 2012, NACHA proposed a rule for moving ACH payments faster (known as "Expedited Processing and Settlement" or EPS) that was not approved. The two primary reasons were that the proposal did not provide enough new functionality for ODFIs and their Originators to support same-day ACH use cases, such as for same-day payrolls and for West Coast users; and that there was an insufficient business rationale for RDFIs to justify their required investments. Today's proposal for Same Day ACH is intended to address both of these shortcomings by providing greater functionality for ODFIs and their Originators, and providing a sufficient business justification for RDFIs.

COMMENT PROCESS

All NACHA proposed rules are open for public comment via a Request for Comment. NACHA encourages responses from ACH Network participants and interested parties. The comment period ends on February 6, 2015, which is a 60-day period to submit a response. For more information about the proposed rules and how to submit comments, please visit www.nacha.org.

³ No ODFI would be required to originate same-day ACH transactions.