

# The Power of Same Day ACH

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# Agenda

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Basics to Level Set

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Same Day ACH Use Cases

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Risk Management

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ODFI Operational Efficiency

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ODFI Risk Management

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RDFI Risk Management

# Basics to Level Set

## Same Day Entries

- Originated & settled on the same business day

Virtually all ACH entries are eligible for Same Day

- Except: Transactions > \$1,000,000 and International ACH Transactions (IAT)

\$0.052 cents per entry to help RDFIs defray costs

- Pricing may be higher from TPSP / Software Vendors

Origination is optional

- Receipt is mandatory!

Same Day returns are optional but can include ANY return

- Even if amount is greater than \$1,000,000
- IAT are eligible for Same Day **returns**
- No Same Day entry fee

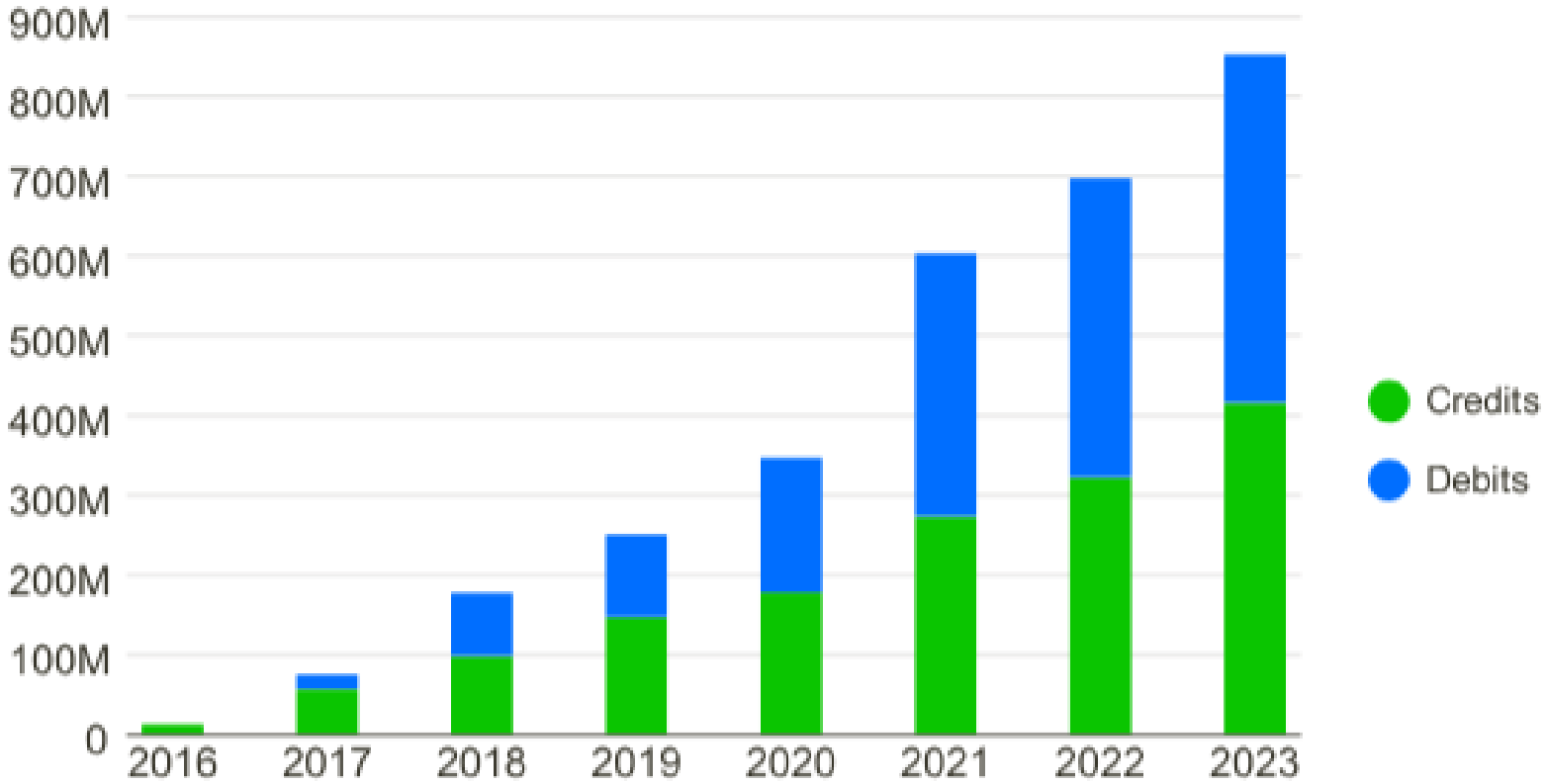
# Same Day ACH Processing Windows

<b>ODFI Deadline (to ACH Operator)</b>	<b>RDFI Receipt</b>	<b>Settlement</b>	<b>Funds Available to Receiver</b>
<b>10:30am ET / 9:30am CT</b>	<b>12pm ET / 11am CT</b>	<b>1pm ET / 12pm CT</b>	<b>1:30pm RDFI local time</b>
<b>2:45pm ET / 1:45pm CT</b>	<b>4pm ET / 3pm CT</b>	<b>5pm ET / 4pm CT</b>	<b>5pm RDFI local time</b>
<b>4:45pm ET / 3:45pm CT</b>	<b>5:30pm ET / 4:30pm CT</b>	<b>6pm ET / 5pm CT</b>	<b>End of Day Processing</b>

# Rapid Growth of Same Day ACH Since Inception in 2016

Payment Volume of Same Day ACH

**MILLIONS**



# Future

SDA Window	ODFI Submission	RDFI Distribution	Settlement	Funds Availability
First	10:30 am	12:00 noon	1:00 pm	1:30 pm
Second	2:45 pm	4:00 pm	5:00 pm	5:00 pm
Third	4:45 pm	5:30 pm	6:00 pm	End of RDFI's processing day
Fourth	8:00 pm	9:30 pm	10:00 pm*	End of RDFI's processing day

# Same Day ACH Use Cases



Emergency Payroll Processing



Consumer Bill Payments



Peer-to-Peer (P2P) Transfers



Business-to-Business (B2B) Payments



Emergency Fund Transfers

# Same Day ACH Use Cases



Tax Payments



E-commerce Refunds



Real Estate Transactions



Insurance Claim Payments



Vendor Payments for Time-Sensitive Services



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# Risk Management

- Faster movement of funds via Same Day ACH mitigates some risks, for example:
  - Counterparty Risk
  - Operational Risk
  - Credit Risk
  - Transaction Risk
  - Fraud Risk
  - Compliance
  - Strategic Risk

# Counterparty Risk

Counterparty Risk is reduced by more frequent settlement

- Financial institutions will have less exposure to potential settlement failure by another financial institution

Four settlement times may help reduce risk

- 8:30 AM ET – non-Same Day Entries Settlement
- 1:00 PM ET – 1<sup>st</sup> Same Day Settlement
- 5:00 PM ET – 2<sup>nd</sup> Same Day Settlement
- 6:00 PM ET – 3<sup>rd</sup> Same Day Settlement

# Operational Risk

## Policy and Procedures

- Originating Same Day ACH must be documented

## Staff Training

- Aware of changes and procedures

## Resources

## Contingency processing and settlement windows

- These provide more frequent and flexible opportunities to recover in the event of missed deadlines or system outages
- Same-day Reversals could be used to recover from erroneous or duplicate Files

# Credit Risk



- Credit Risk can be reduced in several ways
  - ODFIs have less exposure time for same-day credits
    - ODFI is liable for credits put into the system, and more frequent settlement reduces time for an Originator to fail, go bankrupt or have funds frozen
    - ODFIs could lower an exposure limit for Originator over multiple settlement dates because of faster settlement of same-day credits

# Transaction Risk

- Transaction Risk is reduced for same-day debits:
  - ODFIs and Originators of same-day debits will receive any returns at least one day sooner
    - A return could be even faster if the RDFI uses a same-day window for the return
  - ODFIs and Originators of next-day debits could receive returns faster if RDFIs use same-day windows for returns
  - Helping billers, card issuers and others better manage credit risk
  - RDFIs may return NSF and other unpostable debits faster – resulting in faster re-credit

# Fraud Risk

- With the increased speed of Same Day Entries, the importance of commercially reasonable authentication methods and security around file delivery is increased
  - Types of entries to monitor more closely may include account openings, A2A, and P2

# Compliance Risk

Regulation CC

Funds  
Availability

NACHA  
Operating Rules

Credits to  
Receiver no later  
than Settlement  
Date of Entry

# Strategic Risk Considerations

- Is Your Competitor offering Same Day ACH?
- Develop an overall strategy for offering Same Day ACH
  - Should Same Day be offered to all or select Originators?
    - Not all members may be suitable
    - Not all FI products may be suitable



# Operational Efficiency

- Origination of Same Day ACH Entries is optional
- Should we offer Same Day ACH?
- Should we offer Same Day ACH to everyone or to select Originators?
- What procedures do we need to handle timeframes and commitments?
  - What is your cutoff time?
  - Balancing the offset/Fed account
  - Reconciling the accounts
  - Cash position will look different

# Operational Efficiency

- How is processing in-house versus processor (outsourced) affected?
- How can we work with our vendor to ensure we avoid unintentional Same Day Entries?
  - Determine pricing structure based on volume or other factors
    - Internal decision on pricing
  - Work with Originators
- Will we require staffing changes?
  - Resources, timing, costs, training?

# Operational Efficiency

- Returns and Notifications of Change (NOCs) may be received faster – how will this change processes?
- How do our members use the Effective Entry Date field today? Will we need to educate, require additional indicator, both?
  - Have we updated our contingency plan?
- Agreements?

# Origination Risk Considerations

- Determine how to identify those Originators, members or transaction types permitted to use Same Day ACH
  - Consider member's profile (i.e., business model) when offering Same Day ACH
    - Current credit limits and risk rating
    - Prefunding and exposure
    - Authentication methods
- Review Files or have processes in place to determine compliance with Same Day eligibility rules
  - Ensure proper use of Effective Entry Date
  - Other indicators
    - Descriptive Date – SD1300, SD1700, SD1800
    - Company Discretionary Data – SAME DAY, SAMEDAYACH, etc

# Origination Risk Considerations

- With multiple settlements each day, the ODFI's exposure may change throughout the day
- Does not remove requirement for exposure limits
  - Established exposure limits for the Originator will not change, but the amount of exposure to risk throughout the day could change for the Originator or FI due to multiple settlement windows
  - If an ODFI employs intraday real time settlement capabilities, they should consider how use of Same Day Entries may impact credit exposure limits

# Origination Risk Considerations

- Use of Prenotifications and responses to Prenotifications will enable better quality of Entries and serve to mitigate risk
  - Same for Same Day Entries as well as non-Same Day transactions
    - For example, a payroll Entry or bill payment containing an incorrect Receiver account number can be remedied more quickly if response is sent same-day

# Origination Risk Considerations

- ODFI should review policies for prefunding
  - With \$1,000,000 per Entry limit, off-set may not be eligible for Same Day
- Some Originators may attempt to split desired payment into two or more entries to be within \$1,000,000 transaction limit
  - To mitigate their risk, 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

# Returns, Reversals and other ODFI Risk Considerations

- Erroneous entries may be remedied more quickly by sending reversals faster
  - A debit in a reversing file must not contain an Effective Entry date that is earlier than the Effective Entry Date of the credit to which it relates
- ODFI should consider adding a Same Day ACH contact in the ACH Contact Registry in Nacha's Risk Management Portal to be contacted by another FI if there is a problem
  - <https://www.nacha.org/nacha-risk-management-portal>



# Avoiding Unintentional Same Day ACH Fee

- Stale Dated Entries
  - Regular ACH file was supposed to be transmitted yesterday but didn't
- Invalid Effective Entry Dates, anything other than YYYYMMDD
  - Internal Origination
  - Corporate Customer

# RDFI Risk Management Considerations

- An RDFI that suspects a credit is unauthorized may treat a same day credit the same as other credit Entries, by researching and notifying the ODFI of any delays
  - Voluntary Availability Rule Exception For RDFIs

# RDFI Risk Management Considerations

- Funds availability requirements change with Same Day ACH, RDFIs need to have resources to ensure funds are available at the required time
- RDFIs may consider registering for the Emergency Contact Database to be able to more quickly contact or be contacted by another FI if there is a problem
  - <http://www.emergencycontact.org/>

# RDFI Risk Management Considerations

- Policies and procedures related to returns and NOCs should be reviewed to allow for:
  - Returns and NOCs have more available windows for transmission
  - Allows these Entries to be sent from the RDFI to the ODFI more quickly
  - Reduced credit risk when Entries are returned sooner, but RDFIs are not required to send returns faster

# Questions

The background of the slide is a dense field of 3D-rendered question marks. Most are a dark grey color and are slightly out of focus, creating a sense of depth. In the center of the image, one question mark is rendered in a bright yellow color and is in sharp focus, standing out from the rest. The lighting is soft, casting gentle shadows and highlights on the surfaces of the question marks.

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