

July 2015

# Same Day ACH – A Blessing or a Curse?

**Earnings Performance Consulting**

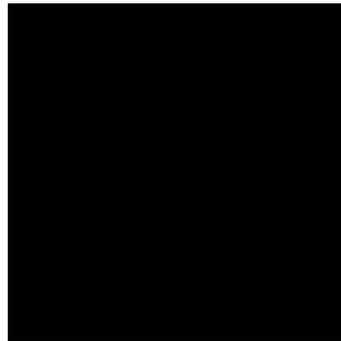
**M&A Integration | Risk & Compliance**

---

**For the Intelligent Banker**

## 2015 Intelligent Bank Management Series

The 2015 Intelligent Bank Management Series focuses on insights, strategies and development priorities for improved profitability, operating efficiency, compliance and risk management at U.S. financial institutions.



## Approval of an Evolutionary Step in Electronic Payments

**Financial organizations have utilized electronic payment transactions through the Automated Clearing House (ACH) network for decades. This stoic payments vehicle is now poised to become cutting edge (and maybe even bleeding edge).**

---

On May 19<sup>th</sup>, the NACHA membership approved the implementation of a new Same Day ACH capability, starting in September 2016. This new transaction type improves the delivery and settlement of funds transacted through ACH by one business day. Accompanying this new payment type is the monetization of expedited ACH transactions with a "Same Day Fee" of \$.052, paid to the Receiving Depository Financial Institution (RDFI).

This has the makings of an entirely new payments backbone that will be used to creatively build new product offerings for

consumers and businesses alike. Two added processing windows will be opened; a morning window with a deadline of 10:30 am and an afternoon window with a deadline of 3:00 pm. Settlement for these two windows will be 1:00 pm and 5:00 pm respectively. The existing next day ACH schedules and capabilities (and lack of direct monetization) remains unchanged. This new Same Day transaction type will be uniquely identified and is layered on top of the existing procedures and processes. Depending upon your existing fee structures, non-interest income attainment and technology infrastructure, will Same Day ACH be a blessing or a curse? The one thing that is clear, is that it will not be an option to participate, as all financial institutions must accept, settle and provide intra-day availability for this new class of Same Day ACH items.

The approved schedule of roll-out has defined three phases. Reportedly there was significant commentary to phase in the

Learn more about how CMPG can assist you at

[www.cmpg.com](http://www.cmpg.com)

or call us at

**1-800-997-2674**

to discuss the needs of your financial institution.

new capabilities to ease assimilation into existing processing environments.

- Phase 1, in September 2016, will focus upon only the origination and receipt of ACH credits along with certain non-monetary transactions for same day posting, improving the posting of credits to customer's accounts by one business day.
- Phase 2, one year later in September 2017, will expand to include ACH debits for same day posting.
- Phase 3, in March 2018 will expedite the posting requirement to 5:00PM in the local time of the RDFI.

Heretofore, ACH has been the most cost-effective payment delivery methodology for banks and businesses alike. That is why it underlies such prolific payment participants as PayPal and many Internet Banking bill payments. ACH payment rivals all carry far higher transaction tariffs; transactions coming through regional ATM/Point of Sale networks such as STAR and NYCE, or debit card association affiliations such as VISA or MasterCard. And then there is the posting of wire transfers and checks, which accompany ACH through the Federal Reserve Bank, or via correspondent banks for some.

There are exclusions. Transactions greater than \$25,000 and those originating outside the territorial jurisdiction of the United States (IATs) are not included in the current definition of Same Day ACH.

While it is still too early to predict if this is the game changer that it could be, and is still subject to acceptance by the Federal Reserve, consider the following in your next Payments Counsel or similar strategic discussion:

- *How will you and your customers embrace this new capability? Does this provide your bill payment customers a new same day payment option that they would value and for which they would be willing to pay? If so, how much? Is this a strategic conversation that you need to have with your bill payment provider?*
- *How will this change the way your organizations settles with your vendors? How many wire transfers do you produce from the accounts payable group? Could these payments transition to same day ACH as a cost savings strategy?*
- *What existing remittance or payroll clients will look to Same Day ACH? What are the advantages to this new capability?*
- *Is there an opportunity to use Same Day ACH in the collections areas as a replacement for service providers such as Western Union?*
- *How much of your existing wire transfer business will migrate to Same Day ACH? What is your marketing spin to cash management customers as to why Wire*

*Transfer is better (and costs more)?*

- *Could Same Day ACH replace image check clearing or payment processing as a packaged expedited product? If so, how do you offer this to your customers or members as a service? For example, "You can deposit the check into your account at the teller window or at the ATM, and it will follow the standard clearing procedure and screening, or for \$5.00, we can expedite the available funds into your account for withdrawal or to cover presentments tonight (or even later today)."*
- *Could a Same Day ACH link be e-mailed to clients who have failed to make loan payments up through the last grace day as a mechanism for prompting customers to avoid late fees, and reduce account delinquency? For a small fee?*
- *What added regulatory screening and fraud review will be required as this new payment type creates an immediacy of funds movement?*
- *How will this new transaction type and revised timing impact counter-party risk and exposure?*
- *Does ACH originations need to have the same security levels and physical*

*protection as does the wire room?*

- *If you are running in-house how will you prepare for the two added processing windows?*
- *If you are outsourced with core processing, how is your vendor preparing for these two new processing windows? How much of the “Same Day Fee” do they expect to receive? Is it over 100%, placing you at a loss to provide required support for these transactions? When do you next renew/renegotiate your core processing fees?*
- *Who is building out the three year budget view of the opportunities and fee disintermediation and expense of this new payment process?*
- *How does this change the risk assessment model for clients seeking originations capabilities?*
- *Could this be packaged as a retail product?*
- *Is there an opportunity to link Remote Deposit Capture and Same Day ACH?*
- *How will non-banking competitors aggregate transactions as a means to extend the near real-time*

*payment movement above the \$25,000 transaction limit?*

The good news is that there is some time to contemplate and work with your vendors on both offensive and defensive delivery and service models for Same Day ACH. We would recommend that you start soon as a year goes by fast, especially with regards to the required infrastructure changes that may be required of you and/or your providers.

This is where a business partner such as CMPG could assist you in defining your unique opportunities and threats, develop plans of action and lead projects to ensure that you optimize return on investment with this evolving payment channel. We would welcome your call.



To discuss the needs of your financial institution  
or learn more about CMPG services:

[www.cmpg.com](http://www.cmpg.com)

1-800-997-2674

