

# Fed Approves Enhancements to Same-Day ACH Service

The Federal Reserve approved enhancements to its same-day automated clearing house (ACH) service that would require much wider adoption by banks, a move that the industry says will improve the nation's payment system.

The changes, which become effective in September 2016, require banks that receive payments to participate in the service. In addition, banks that originate transactions must pay a fee to the receiving institutions for each same-day ACH forward transaction. The Fed proposed the enhancements in May, two days after NACHA, The Electronic Payments Association, which is an industry group, announced it approved changes to its operating rules that will allow same-day clearing and settlement. NACHA manages the ACH network, which is considered the backbone for the electronic movement of money and data. The group represents financial institutions via regional payments associations and direct membership.

## **Aligning With Industry**

“The enhancements are intended to align the Reserve Banks' same-day ACH service with recent amendments to NACHA's ACH operating rules and will facilitate the use of the ACH network for certain time-critical payments, accelerate final settlement, and improve funds availability to payment recipients,” the Fed said Sept. 23 in announcing the enhancements.

The amendment adopted by NACHA to its rules is known as Same Day ACH, which enables a ubiquitous same-day capability for virtually any ACH transaction.

“With the Federal Reserve’s support of the NACHA rule, the industry’s commitment to modernizing the payments system and enabling a ubiquitous faster payment option can be fully realized,” NACHA President Janet O. Estep said in a news release. “Same Day ACH is a game changer as it will enable new options for consumers, businesses and government entities that want to move money faster, and will serve as a building block for enabling payments innovation in the development of new products and services.”

The interbank fee approved by the Fed as part of the enhancements is not to exceed 5.2 cents for each forward same-day transaction. The fee lets receiving banks offset costs associated with upfront investments and ongoing operating costs necessary for accepting, posting, and making funds available from same-day transactions. The fee would be reduced if same-day ACH volume exceeds projections by more than 25 percent during one of the regularly scheduled review periods.

## **Community Bank Praise**

Camden Fine, the president of the Independent Community Bankers of America, said in a statement that universal same-day ACH capability supported by an interbank fee

represents “a significant improvement for the nation’s payment system that would benefit consumers and businesses.”

“ICBA has been a long-time proponent of faster, more efficient and ubiquitous bank-centric payments,” said Fine, adding that his group continues to actively participate in the Fed’s payment system improvement initiatives.

### **Comments Favored Mandatory Receipt**

When the Fed's board put forth its proposal in May, it sought industry comment on the suggested enhancements to the same-day service. In a Federal Register notice accompanying its news release, the Fed said 37 commenters addressed mandatory receipt of same-day ACH transactions and 29 of those believed mandatory receipt is critical to the success of a same-day ACH service.

“The Board believes, and commenters supporting mandatory receipt agreed, that the limited adoption of the Reserve Banks’ current FedACH SameDay Service demonstrates an optional service cannot achieve the ubiquity necessary to establish a successful same-day ACH service,” the Fed said. “The Board agrees with the majority of commenters that mandating receipt of same-day ACH transactions is the only practical method to achieve that necessary ubiquity and the corresponding benefits.”