



Bringing the benefits of Same-Day ACH to your business.

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Same-Day ACH (Automated Clearing House) is an innovative solution to support businesses that want to move their money faster. A payments option that reaches all bank accounts, Same-Day ACH will enable companies to send and receive payments and payment-related information on the same day through the ACH network.

Same-Day ACH credit transfers became a reality in September 2016, while the second phase of the rollout, scheduled for September 2017, will allow debit transactions on the same day. Targeted for March 2018, the final phase will usher in faster ACH credit funds availability. Each phase has brought or will bring with it a new way for financial institutions to address their clients' needs by facilitating the exchange of money between customers and their vendors.

Faster payments with Same-Day ACH.

As part of an effort to speed electronic transactions, the National Automated Clearing House Association (NACHA) embarked on a program to implement same-day processing of ACH payments. When fully implemented, Same-Day ACH for businesses will have the following features:

- Same-Day ACH payments can be sent to—or collected from—almost any bank account in the U.S.
- Payments or collections initiated within designated times are received and settled the same day.
- Payers and debit collectors must choose to use Same-Day ACH by placing today's date in the effective entry date field.
- Banks are required to receive Same-Day ACH payments and debits and to update accounts the same day.

Key takeaways



Same-Day ACH credit is already helping businesses make payment practices more efficient.



Beginning September 15, 2017, Same-Day ACH will be available for debit entries, making both credits and debits eligible for same-day processing.



Thorough planning will help businesses take full advantage of the opportunities and benefits of Same-Day ACH.

After full implementation, NACHA projects that ACH originations will generate approximately 1.4 billion Same-Day ACH payments annually in 10 years.

“The launch of Same-Day ACH marks a significant milestone in the journey towards faster payments in the U.S.,” said Janet Estep, president and CEO of NACHA. “Same-Day ACH provides absolute certainty that your payment can get to absolutely anyone else with a bank account on the same day, regardless of which bank or credit union they use, bringing value to all users of the ACH Network.”

Same-Day ACH will become effective in three phases, allowing treasury professionals and banking institutions time to gradually acclimate themselves to the faster processing environment.



Phase 1: September 23, 2016 (Implemented)

ACH credit transactions became eligible for same-day processing, allowing for the sending and receiving of virtually any ACH credit transaction.



Phase 2: September 15, 2017

Same-Day ACH debit transactions will be added. This phase will encompass a broad range of additional payment types, including consumer bill payments for such things as credit cards, loans, mortgages and utilities.



Phase 3: March 16, 2018

Same-Day ACH credits must be made available to customers for withdrawal no later than 5 p.m. in the receiving financial institution's local time on the settlement date. The goal is to ensure that Same-Day ACH credit recipients can access funds in their accounts by the end of the business day.

Same-Day ACH credit success.

Same-Day ACH credit payments totaled nearly \$18 billion in Q1 2017, the second full quarter of same-day processing. More than 13 million electronic credit transactions were made in the first three months of 2017, up 13.3% from the final quarter of 2016. Also, in a survey conducted by NACHA in late 2016 with financial institutions accounting for nearly two-thirds of Same-Day ACH originations, not a single financial institution saw any increase in fraud due to Same-Day ACH, and 100% had a payroll success story.



Same-Day ACH has proven that it is a valuable, faster payment solution for a variety of users, including businesses, consumers and financial institutions. We are encouraged by its performance thus far, and look forward to seeing Same-Day ACH continue to provide value for its users in 2017.

– Janet Estep, president and CEO of NACHA



Overview of Same-Day ACH credit benefits.

Making a payment using Same-Day credit can:

- Reduce cost for expedited payments
- Improve cash flow/forecasting
- Decrease processing/payment cycle for invoices
- Decrease Days Payable Outstanding
- Improve working capital and cash management
- Provide predictable time for disbursements

Same-Day ACH credit is already making life better for businesses. For example, prior to Same-Day ACH credit rollout, a business would deposit funds Wednesday to make a disbursement on Friday. Non-earning balances erode profitability, which will become more important in a rising-rate environment. Same-Day ACH credit eliminates that cost by saving two days of foregone interest on balances or avoiding interest costs if the business had to borrow to be able to make the disbursement.




Businesses have taken advantage of Same-Day ACH credit in a number of ways. For example, a need for funds may arise on short notice or in an emergency. Same-Day ACH credit can enable a business to meet the need in lieu of a wire or card payment, which are more expensive alternatives. In addition, a company can differentiate itself in the marketplace by paying faster. Speeding payments can help your company develop better trading associates relationships.



Launch of Same-Day ACH debit.

Beginning September 15, 2017, Same-Day ACH will be available for debit entries. Virtually all types of ACH payments, including both credits and debits, will be eligible for same-day processing. Only international transactions (IATs) and high-value transactions above \$25,000 are not eligible. Eligible transactions account for approximately 99% of current ACH network volume.

Same-Day ACH debit has several potential advantages for companies and their customers, including:

 <p>Expedited payments</p>	<p>Faster settlement of invoice payments between trading associates and with customers.</p>
 <p>Account-to-account transfers</p>	<p>Quicker movement of funds for companies that transfer money between various accounts they control.</p>
 <p>Lower risk</p>	<p>Improved collection success rate by obtaining funds as soon as possible upon the customer's commitment to pay.</p>



Overview of Same-Day ACH debit benefits.

Receiving a payment using Same-Day debit can:

- Improve Days Sales Outstanding
- Reduce cash application cycle time
- Decrease collection risk
- Improve working capital and cash flow management
- Accommodate late payments from customers

Impacts and challenges of Same-Day ACH debit.

Same-Day ACH debit introduces changes in the payments world, so treasury professionals need to keep certain considerations in mind. As more ACH debits are presented against accounts late in the day, it may make it difficult to predict a company's daily funding position. Establishing an automated sweep of excess funds and an overdraft line of credit when funds in the account are not sufficient for disbursements can help in managing cash positions.

Same-Day ACH debit originations expedite payments from your trading associates, and it's essential that they understand that. Up-front communications to explain Same-Day ACH debit can go a long way in avoiding customer service issues. Also, since Same-Day ACH transactions will be identified using only the effective entry date field of an ACH file, treasury professionals will need to check all dates before sending files for processing. Inadvertently originating Same-Day ACH debits on an early date may be a violation of a business contract or, if a consumer is involved, a violation of federal regulations.

In addition, after Same-Day ACH debit is implemented, a business may receive funds later in the day than it did in the old environment. It helps to talk with trading associates: If they understand your needs, they may be able to work with you to address them.



Same-Day ACH details.

- Same-Day ACH will be available for virtually any ACH transaction. Only IATs and single transactions over \$25,000 are excluded.
- Origination of same-day transactions is optional, but all receivers (Receiving Depository Financial Institutions, or RDFIs, and businesses) will be required to receive same-day payments. Additionally, receivers will be obligated to post same-day entries and make funds available as required.
- Receivables presented via Same-Day ACH must be executed on the effective date of the item and may be backdated if necessary.
- Same-Day ACH transactions will be identified using only the effective entry date field of an ACH file with the current day's date and by receiving items prior to the Same-Day ACH deadline.

Business implementation considerations: receiving payments/enhancing collections.

To take full advantage of the benefits of Same-Day ACH debit, treasury professionals should work with their trusted banking associates to address opportunities and challenges. Important planning steps include the following:



Analyze use cases/opportunity assessment

- Encourage Same-Day ACH credit payments from customers versus other expedited options
- Evaluate using Same-Day ACH debits for collections and receivables
- Consider using pre-notes with Same-Day ACH to decrease time needed for account validation

<p>Assess internal receivable processes and systems impact</p>	<ul style="list-style-type: none"> • Review process for a crediting customer for same-day payments and posting of late-day debits • Analyze late-day payment/reporting/cash file • Review trading associates contracts (payment terms, e.g., providing the additional option of Same-Day ACH in contract) • Assess customer-facing systems—update to portals or other methods for accepting and crediting Same-Day ACH • Test file delivery methods and channels internally, and with bank/vendor associates
<p>Other</p>	<ul style="list-style-type: none"> • Review cash forecasting, position, investment, debt payments • Once funds availability schedules are confirmed, evaluate impact on cash position, investment options, debt paydown with respect to cash reserves (e.g., investment options for late-day credits, impact of late-day debits, cash receipt may come too late to make investment or pay down debt)

Source: Adapted from NACHA

Learn more about Same-Day ACH.

Same-Day ACH is playing a major role in bringing faster payment solutions to the marketplace. For more information about Same-Day ACH and how KeyBank can help your business prepare, please contact your payments advisor or [visit key.com/ecp](http://key.com/ecp).

About the author.

Brian Guess, Senior Vice President and Payables Team Leader in KeyBank’s Enterprise Commercial Payments division, has 25 years of payments experience. He has been responsible for all manner of ACH processing since 2010, including ACH origination, receipt and fraud control. Brian works extensively with industry trade groups, the Federal Reserve and KeyBank to shape changes within the payments industry. He leverages this expertise on behalf of his clients to help them meet their rapidly evolving accounts payable needs.

