

Same-Day ACH: What treasury professionals need to know

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Very soon, treasury professionals will be able to conduct Same-Day ACH transactions, allowing them to move money at a much faster pace. NACHA, the electronic payments association, adopted a rule in May 2015 that enables the same-day processing of nearly any ACH payment. NACHA currently shifts money between financial institutions on a next-day basis, making the move to same-day transactions a game changer for the industry.

In general, nearly all financial institutions will be required to receive Same-Day ACH payments. “You can absolutely be assured that your payment will get to absolutely every financial institution in the United States, regardless of size, because everyone is required to participate,” said NACHA President and CEO Jan Estep in an interview with PYMNTS.com.

Same-Day ACH implementation presents corporate treasury professionals with a number of benefits, and some challenges as well. Keep reading for more information about these opportunities and issues so you can prepare your organization for its adoption.

Key takeaways



Same-Day ACH transactions allow treasury professionals to move money at a much faster pace, making them a game changer for the industry.



Nearly all financial institutions will be required to receive Same-Day ACH payments.



Same-Day ACH will become effective in three phases over several years, allowing treasury professionals and banking institutions to gradually acclimate.

Implementation timeline

Same-Day ACH will become effective in three phases over several years. This will allow treasury professionals and banking institutions to gradually acclimate to the faster processing environment and spread implementation costs and efforts over time. Standard ACH schedules and capabilities will not be impacted by Same-Day ACH.



Phase 1: September 23, 2016

On this date, only ACH credit transactions will be eligible for same-day processing. You will be able to create a credit up until your bank's cutoff time. The credit will then be processed by the ACH operator and posted to the receiver's account no later than the end of the RDFI's (Receiving Depository Financial Institution) processing day. Be aware that there are no guarantees that the bank receiving the payment will make funds available immediately. This will vary bank to bank and in many cases, the payee may not be able to use the funds until the next business day.



Phase 2: September 17, 2017

On this date, 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

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

Eligible transactions

Same-Day ACH applies to all domestic ACH transactions up to \$25,000. The dollar limit is being imposed in order to mitigate the risk associated with increased payment velocity. Its impact should be minimal because, according to NACHA, more than 99% of ACH transactions are currently under the \$25,000 threshold. ACH operators will enforce the limit by assigning next-day settlement to any transactions that exceed the limit.

International ACH transactions (IATs) will be ineligible because NACHA rules do not necessarily apply outside the U.S., and many foreign countries are outside of normal banking hours due to their different time zones. Additionally, IAT payments must observe Office of Foreign Assets Control screening requirements, and the much tighter deadlines for Same-Day ACH payments would be problematic at most banks.

In addition to these limits, the U.S. Treasury has declined to participate in Same-Day ACH for now. This means that federal tax payments will be ineligible for Same-Day ACH for the time being.

Anticipated fees

In order to accommodate Same-Day ACH, financial institutions are making significant investments in people, processes and technology. Originating banks are also required to pass along a fee of 5.2 cents per same-day payment to the receiving banks for processing the transactions, as well as pay a higher fee to the Federal Reserve for expedited handling. Due to these higher costs, the benefits of Same-Day ACH will be offered to banking clients as a premium service.

Most banks are currently determining their pricing for Same-Day ACH. Costs will certainly be higher than standard ACH transactions, but will remain a fraction of the cost of a wire transfer. Some savvy treasurers will recognize this and may consider trying to game the system by stacking Same-Day ACH transactions (sending multiple ACH payments under the \$25,000 limit in order to effectively bypass it). However, stacked transactions are not permitted.





Same-Day ACH benefits

Given all the hype around Same-Day ACH, you may be wondering how your company and its treasury operation may benefit from it. Below are three typical use cases:



Increase AP efficiency

Same-Day ACH will create an opportunity for just-in-time AP, which is particularly useful for those who are prefunding transactions. Currently, prefunding requires that payments be made for outbound ACH transactions when they are created, regardless of the payment due date. However, Same-Day ACH transactions will not have to be paid for until the day they occur. Having this flexibility, in many cases, will justify the additional cost associated with a same-day transaction.

Keep in mind that Same-Day ACH transactions are not immediate. A transaction that is initiated first thing in the morning will be required to be posted to a payee's receivables effective that business day—which could be the end of the day. This could be a problem in some situations, such as when a shipment is contingent on a payment being made. If the payment isn't posted until the end of day, it may be too late for the shipment to go out that day.



Mitigate critical payment costs

Same-Day ACH will be particularly beneficial when critical payments are missed, such as payroll or paying taxes. It is much more cost effective than wire transfers, which also often charge a fee to the recipient. In the case of missed payroll, wire transfers are less than ideal because employees will be hit with \$20 or \$30 wire fees and then have to be reimbursed for them.



Service level differentiation

Depending on the industry, Same-Day ACH can be a service-level differentiator. For example, an insurance company could send a claims adjuster out to meet with a client that has just been involved in an auto accident. The adjuster may have a wirelessly enabled electronic tablet to write up the claim and immediately submit it for processing. It can quickly be reviewed and, if approved, a payment can be transmitted to the client that day. While issuing a payment in this manner will be costlier, it is expected to be outweighed by the revenue generated from improved customer retention and new customer acquisition.



Same-Day ACH challenges

While Same-Day ACH offers a number of benefits, there are some pitfalls that treasury professionals will want to avoid:



Receiving late-day items

If a same-day item is received, even late in the day, the rules require that the payment be posted on the date received, even if the bank doesn't provide notification until the next day. This situation could be particularly problematic for those collecting payments of rent, loans and other debts. If a company posts receivables based on intra-day information from its bank, it will need to ensure that it back dates same-day payments to accurately reflect the day they were received.

Another case that could be a challenge for treasury professionals is the funding of investment options. Same-Day ACH may result in an increase in payments that are received late in the day. If funding decisions are done manually and made midday, for example, there could be an increase in funds that do not make it within the investment window. A possible solution is an automated sweep account, which would ensure all funds get invested each day.



Improper effective dates on originated payments

Some entities may be a bit lax with identifying effective dates on payments they originate, because they will not be effective until the day after they are processed by the bank. In a Same-Day ACH environment, this can be costly. If a file is sent to the bank for processing and it has improper effective dates, marked in the past or on that current day, most banks will assume that those payments are intended to be same-day. Although the resulting Same-Day ACH fees may be nominal, significant overdraft charges could occur if an insufficiently funded account is debited to cover the outbound payments.

Preparing for Same-Day ACH

Treasury professionals should act now to be prepared to leverage the benefits of Same-Day ACH and circumvent any potential obstacles. Gather your internal team and trusted banking partner to consider:

	Payment history	Are you frequently using wire transfers? Why and when? Could savings be achieved by harnessing Same-Day ACH payments instead?
	AP processes	Is your team accurate in indicating effective dates? Are you prefunding transactions? In what emergency situations might you take advantage of Same-Day ACH?
	AR processes	Are you funding investments manually? Will you miss out on investment revenue due to Same-Day ACH? Might a sweep account increase investment efficiency?
	Service differentiation	Can Same-Day ACH be harnessed to differentiate your business? How might this differentiation drive revenue?

About the author

Brian Guess, Vice President and Senior Product Manager 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.

For more information about Same-Day ACH and how KeyBank can assist you in its adoption, **please contact your payments advisor or visit key.com/ecp.**

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