

MIBA's Compliance Corner

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Setting the Record Straight on Same Day ACH Compliance

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The industry has spoken. Beginning September of this year, Same Day ACH will be a reality, and another step closer to moving payments faster within the United States. So, what does this mean to your financial institution? Can you opt-out if you're not ready? When is the deadline? Let's take a look at the main components of Same Day ACH and what your institution should understand before September comes knocking on your door.

Will ACH Same Day Affect ME?

The short answer is YES! All Receiving Depository Financial Institutions (RDFIs), which includes you most likely, are **required** to receive Same Day ACH entries. However, the volume your institution will receive remains to be seen. Many ACH transactions will continue to settle in the traditional 2-day ACH credit and 1-day ACH debit model that exists today.

An Originating Depository Financial Institution (ODFI) will be able to submit files of same-day ACH payments through two new clearing windows provided by the ACH Operators; a morning submission deadline at 10:30 AM ET (1:00 PM settlement) and an afternoon submission deadline at 2:45 PM ET (5:00 PM settlement).

The Same Day ACH Rule includes a "Same Day Fee" applied to the ODFI for each Same Day ACH transaction allowing RDFIs to recover some of their costs associated with

enabling and supporting the process. Being more expensive than traditional ACH, it is an expectation that traditional ACH timeframes will be used the majority of the time. There are many uses of ACH payments, however, for which businesses and consumers could benefit from the value added, same-day processing.

One of the largest use cases for Same Day ACH credits is the contingency for a missed deadline when originating a payroll file. For example, if a company misses a payroll deadline today, there are few options available to ensure that the employees are actually paid on the correct date. Same Day ACH can fill that void. As far as debits are concerned, with Same Day ACH, if the Originator allows, consumers may be able to avoid a late fee or interest charge by using a Same Day ACH option to pay a biller that debits his/her account on the same day the payment was authorized.

When is the Deadline to Comply?

Same Day ACH is being implemented in a 3-phase approach, beginning September 23rd of this year with ACH credits only.

In Phase 2 (September 15, 2017), Same Day ACH debits can be transmitted through the ACH Network. The most important thing to remember with these debits is that Originators have still warranted that they are NOT debiting a consumer's account until an agreed upon date. For example, if an insurance company

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doesn't have permission to debit a consumer's account until the 15th of the month, the insurance company should still not debit the consumer's account until the 15th of the month! If the debit settles on the 14th of the month, the consumer has the right to return the item as unauthorized.

Phase 3 kicks off on March 16, 2018, mandating that all RDFIs make funds available from Same Day ACH credits (such as payroll Direct Deposits) to their depositors by 5:00 PM at the RDFI's local time.

Can I Opt-Out?

Now that NACHA's Same Day ACH rules have passed, and the Federal Reserve has announced its support for NACHA's Same Day ACH rules, the rumors are flying about who does and doesn't have to comply with Same Day ACH. The truth is very simple...EVERY SINGLE FINANCIAL INSTITUTION MUST COMPLY. If you are an ODFI, you have the *choice* to originate Same Day ACH items, but as an RDFI you **MUST** receive them.

One of the greatest benefits of the ACH Network is that it is ubiquitous – meaning that it touches every single financial institution (bank and credit union) in the country. If you have a routing number, you must accept ACH transactions, and by accepting those ACH transactions, you are required to follow the *ACH Rules* (for both credits and debits). If the individual participants within the ACH Network had the opportunity to opt-in and opt-out as each financial institution felt necessary, the ACH Network would not work. Imagine a payments network where employees gave banking information to receive Direct Deposit *via ACH*, but it was up to the employer's financial institution to determine whether the routing number accepted ACH. This would severely decrease the number of employers willing to participate in Direct Deposit.

In addition, the main reason companies want to use Same Day ACH is to benefit your account holder! If an employer misses a payroll deadline, it is a benefit to your account holder to get his/her payroll through Same Day ACH. Subsequently, if your account holder misses a bill payment due date, it is a benefit to that individual to avoid late charges and possible interest charges by using Same Day ACH.

Who Will Help Me?

Your core processor or data processor should already be preparing to support Same Day ACH. They are most likely working on ways to help you automate processes to ensure your account holders will get their money on time, with little impact to your staff. Also, corporate credit unions and correspondent banks are working diligently to make sure that your needs are met so that you can continue to comply with the *ACH Rules* as the different phases are implemented. Your Regional Payments Association, such as EPCOR, is investing endless hours to make sure training and support is easily understood and will help you sort out how these rules are going to impact your financial institution's internal policies and procedures.

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