



Same Day ACH for Businesses

Topics

ACH Basics

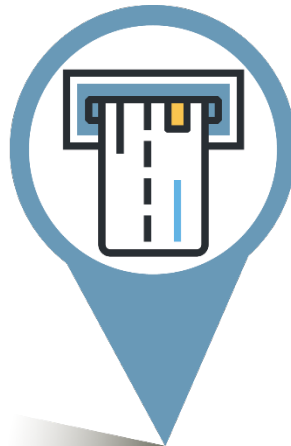
Same Day ACH – Overview and Benefits

Same Day ACH – Implementation

What is EFT – What is ACH?

EFT (Electronic Funds Transfer) is a general term designating a system or process for electronically transferring funds from one bank account to another.

- EFT can refer to ACH, ATMs, payment cards, wires, SWIFT, and any other electronic means for transferring funds



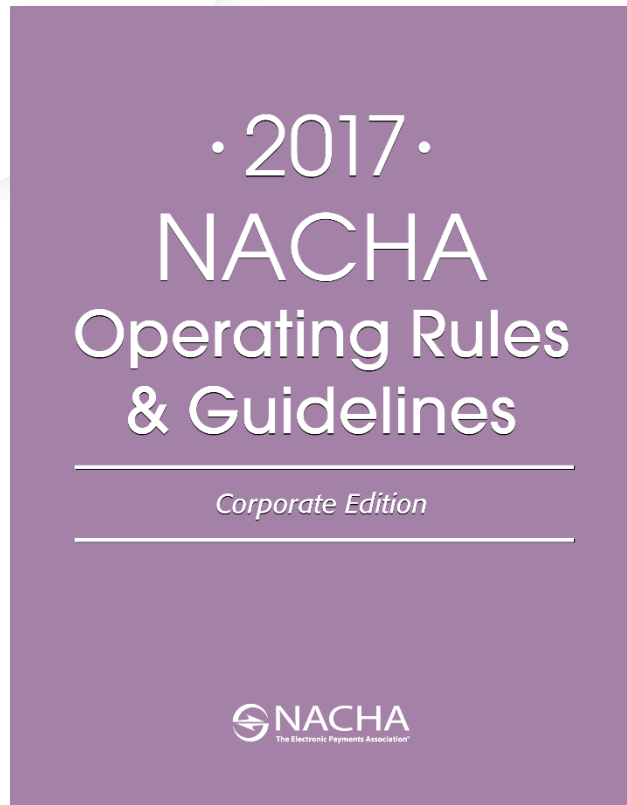
What is EFT – What is ACH?

ACH (Automated Clearing House Network) refers to a specific electronic payment network.

- The ACH Network is used for business, government and consumer domestic and international payments
- Funds are moved between bank accounts by the banks
- Payments settle within 1-2 days for “Classic ACH;” payments settle in the same day for “Same Day ACH”
- The Network is governed by NACHA–The Electronic Payments Association



NACHA – The Electronic Payments Association



Provides a common set of rules and formats



Establishes the legal foundation for the ACH Network



Creates certainty and interoperability

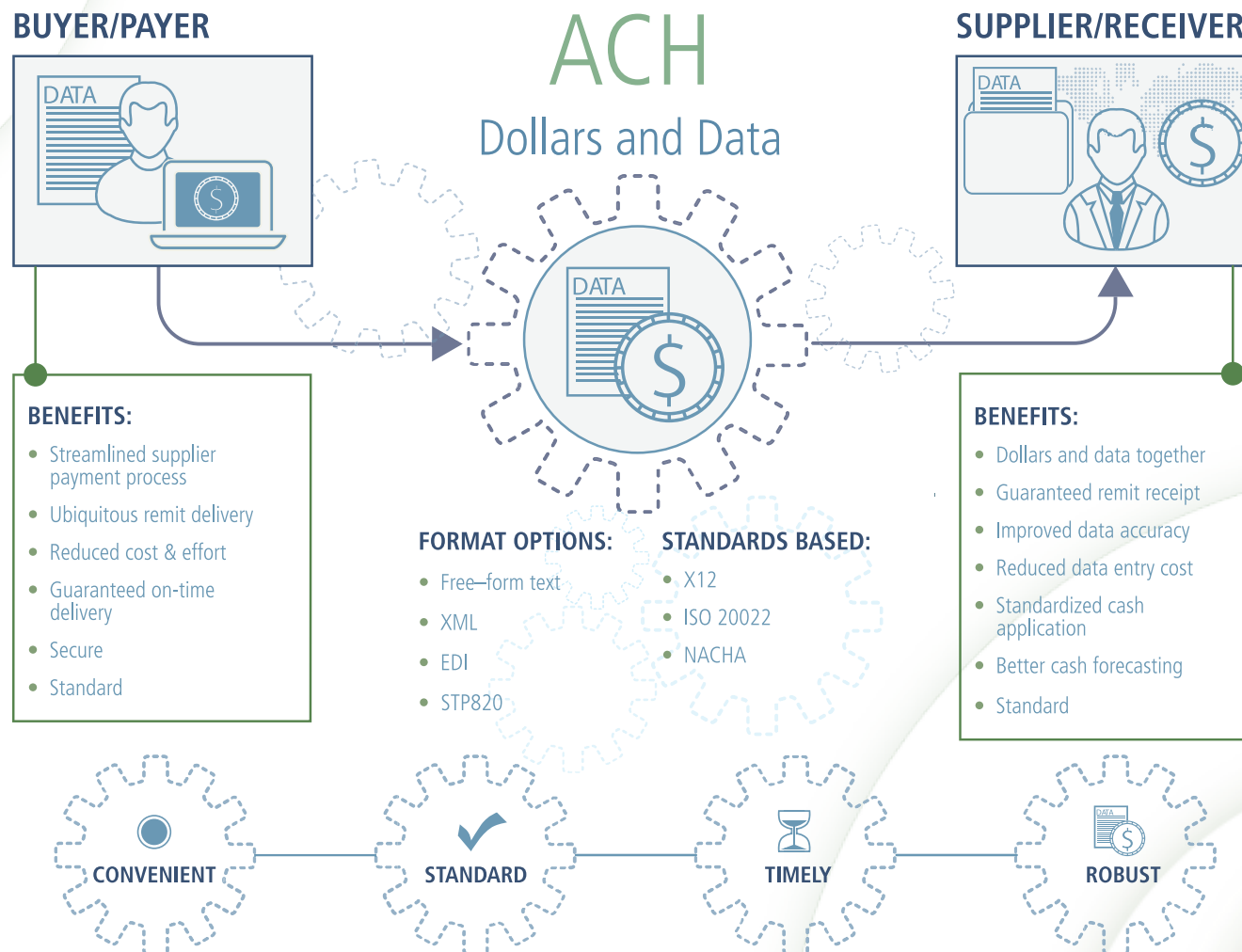


Defines roles and responsibilities

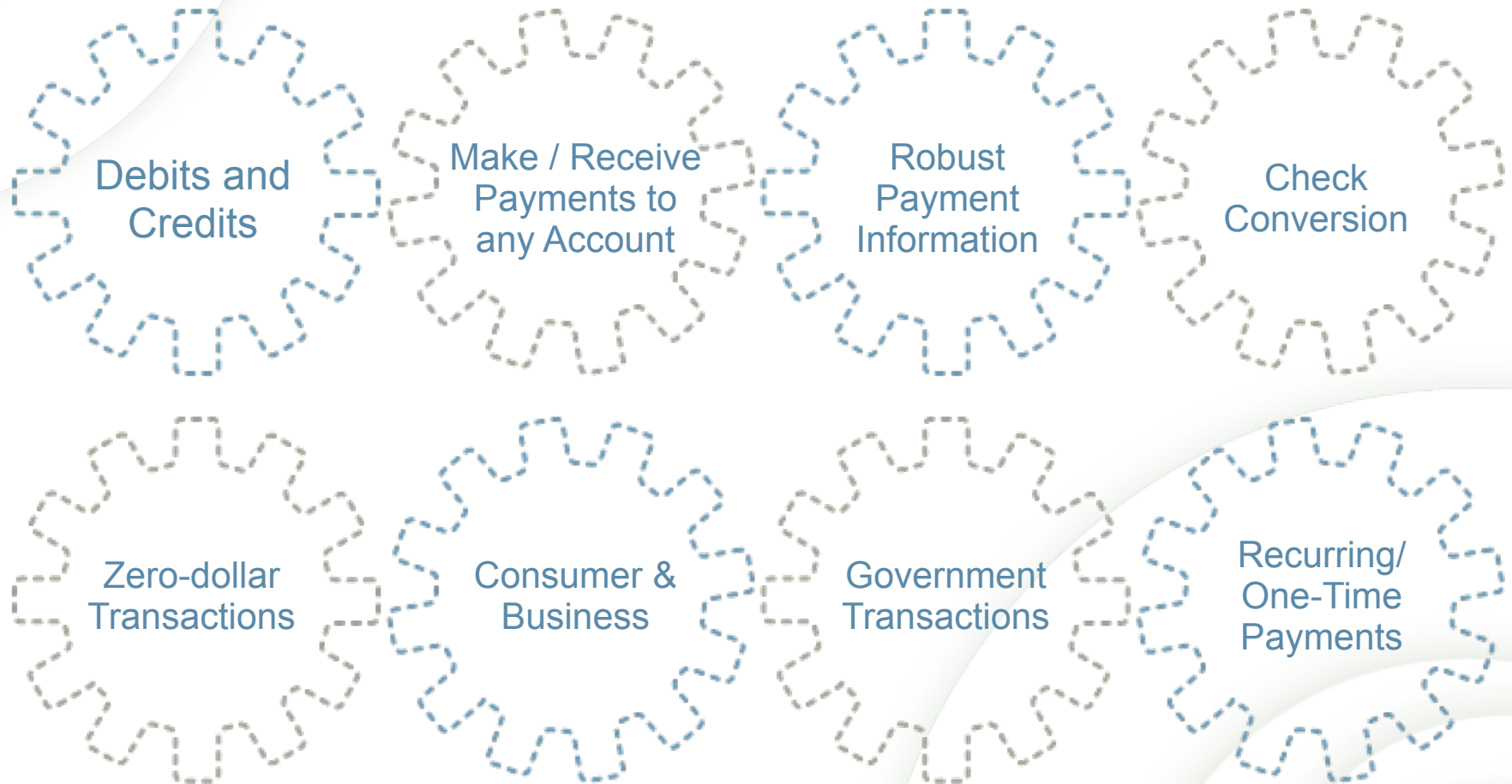
<https://www.nacha.org/rules>

www.nacha.org

The ACH Network – Payments Plus Information



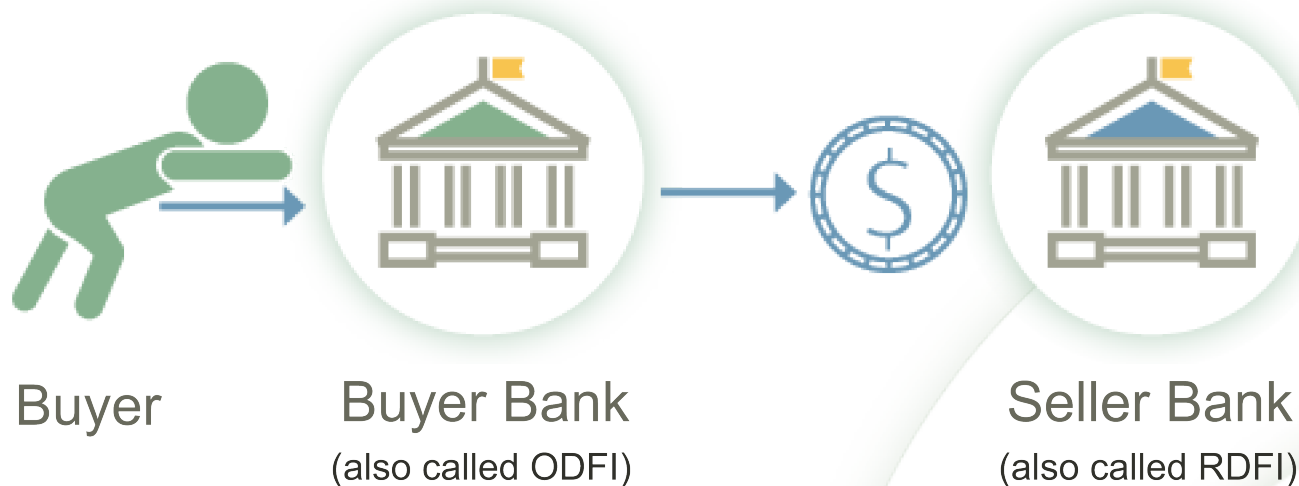
Unique ACH Network Attributes



In the ACH, What is a Credit Payment and What is a Debit Payment?

In a CREDIT ACH payment, the customer or buyer “pushes” funds from the buyer’s bank account to a seller’s bank account.

(Analogy – sending a Direct Deposit of payroll to employee – or wire payment)



In the ACH, What is a Credit Payment and What is a Debit Payment?

In a DEBIT ACH payment, the seller “pulls” funds from the customer or buyer’s bank account for transfer to the seller’s bank account.

(Analogy – paying with a check, where the seller then needs to deposit the check and collect funds.)



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The New Same Day ACH Opportunity for Businesses



**Fast –
Anywhere**
Same Day ACH
payments
can be sent to -
or collected from
- any bank
account in the
U.S.



**Sent and
Received
Same Day**
Payments or
collections
initiated within
designated times
are received and
settled the same
day.



**Optional to
Send**
Payers and
debit collectors
must choose to
use Same Day
ACH by placing
today's date in
the Effective
Entry Date field.



**Required to
Receive**
Banks are
required to
receive Same
Day ACH
payments and
debits, and to
update accounts
in the same day.

Existing one-day and two-day ACH processing and settlement capabilities are not impacted.

Same Day ACH Benefits – Making Payments

Payers

Uses include:

- Emergency payments, off-cycle disbursements and corrections or payouts, time critical/due-date payments, account transfers, errors/payment re-initiation, etc.

Benefits

- Treasury: improved working capital/cash flow management/hurdle rate
- Operations: reduced cost for expedited payments; improved invoice processing/payment cycle time; faster supplier cash application with inclusion of remittance; quicker acquisition of supplies/services
- Customer Service: predictable timing for disbursements/payouts (e.g. insurance, employee); saves costs for payment receiver

Low cost, ubiquitous option to expedite payments; only option for including rich remittance; and can reach any bank account in the U.S.



	ACH	Wire	Card	Check
Expedited option	✓	✓	✓	X
Remittance	Unlimited structured	Limited unstructured	Limited structured	Unlimited unstructured
Reach	All DDAs	All DDAs	Card acceptors	All postal addresses
Cost	Low	High	Low	Low

Same Day ACH Benefits – Receiving/Collecting Payments

Payment Receivers

Uses include:

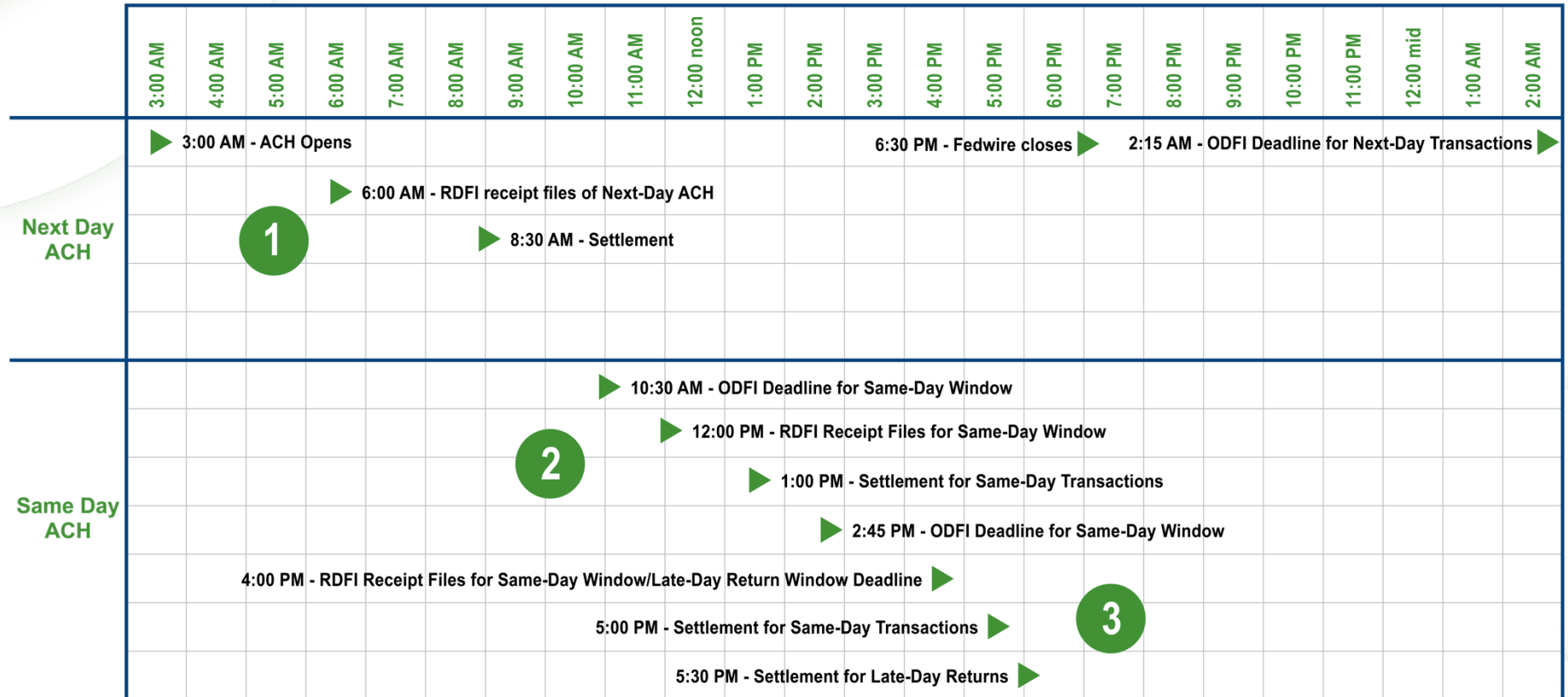
- Expedited credit ACH receipt, debit ACH collection and error correction

Benefits

- Treasury: improved working capital/cash flow management/hurdle rate for customer payments/cash concentration; move collections forward one day without changing customer behavior
- Operations: Low receipt and collection cost/payment compared to other expedited options; improvement to days sales outstanding (DSO) reduction, average days delinquent (ADD), collection effectiveness index (CEI); better cash application cycle time when remittance included; reduced risk for collections – quicker cycle for account verification/returns; positive impact to logistics cycle/disbursements of goods/services, improved product throughput with faster availability of good funds
- Customer Service: accommodate low cost critical/late payments from customers; quicker release of goods/services including for credit hold customers; meets consumer expectations for bank account management/transparency

Next Day and Same Day ACH Settlement Timing

(NOTE: Eastern Time – and this is not Receiver/payee funds availability)



All times Eastern Time / RDFI File Receipts Times Are Approximate

Businesses should contact their bank(s) for file submission deadlines, and their funds availability and related file delivery schedules.

“Classic” and Same Day ACH:

Payment Comparison – Payment Due Dec. 1

Classic ACH

- Send payment and remittance on Nov. 30 – or originate debit on Nov. 30
- Biller/supplier will receive payment and remittance on Dec. 1



Same Day ACH

- Send credit or debit payment and remittance in time for window #1 on Dec. 1, or
- Send credit or debit payment and remittance in time for window #2 on Dec. 1
- Biller/supplier will receive payment and remittance on Dec. 1

Phased Approach to Same Day Implementation

PHASE 1

September 2016

- Credits only
- RDFI sets receiver funds availability for that day

PHASE 2

September 2017

- Credits and debits
- RDFI sets receiver funds availability for that day

PHASE 3

March 2018

- Credits and debits
- Receiver funds available at 5 PM RDFI local time

Note: 5 PM RDFI (Receiving Depository Financial Institution or payee's bank) local time funds availability in Phase 3 is a minimum requirement for receiver funds availability. Your financial institution may exceed this requirement, and provide funds availability earlier, and/or may adjust depository balance throughout the day in any of the Phases.

What Transactions Are Eligible for Same Day ACH?



Almost all credit and debit ACH payments

Example credit and debit payments: payroll, travel/expense, supplier payments, state taxes, bill pay, urgent claims/refunds, person-to-person, account-to-account, check conversions, collections, e-commerce/web/portal payments, returns, etc.



Non-monetary transactions

Examples: pre-notifications, notifications of changes, zero-dollar remittance information transactions, etc.



International transactions (IATs), single payment transactions over \$25,000 will not be eligible for same-day processing



Federal government payments

The federal government will not be participating in Phase 1 of Same Day ACH implementation, and will not send or receive Same Day ACH payments at this time.

How Much Will Same Day ACH Cost?

NACHA does not set or regulate any fees charged to businesses.

The cost to send and receive Same Day ACH payments is determined by your company's bank.

- The Same Day ACH Rule includes a “Same Day Fee” on each Same Day ACH payment so that receiving banks (RDFIs) would recover, on average, their costs for enabling and supporting Same Day ACH.
- Therefore, a bank that sends a Same Day ACH payment has an increased ACH processing cost compared to sending a “classic” (i.e. next day) ACH payment.

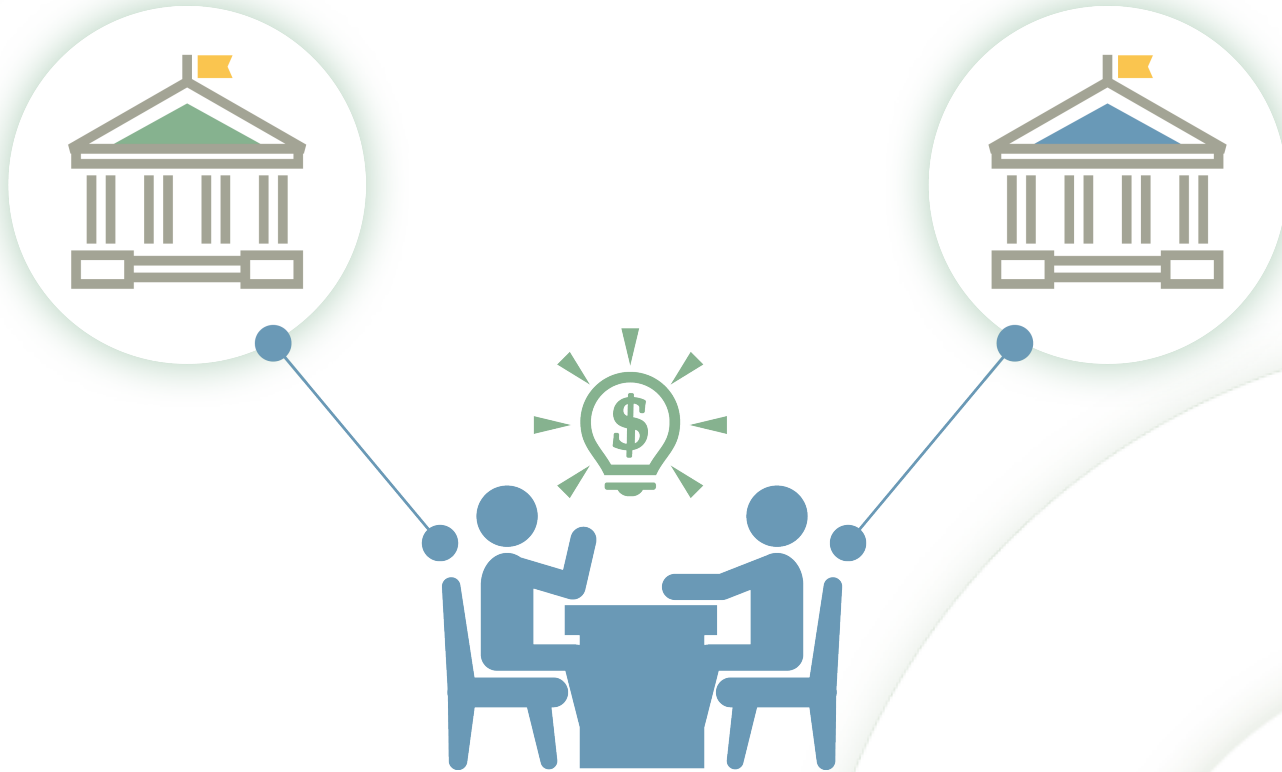
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Talk to Your Bank or Processor!





Same Day ACH Implementation Considerations for Sending Payments

How Will Same Day ACH Transactions be Identified When Sending a Payment?

Sending a Same Day ACH payment – Mandatory Identification:

Same Day ACH payments will be identified by coding “today’s” date in the Effective Entry Date field - and meeting the processing deadline/windows defined by the ODFI (payer’s bank).

- Payers code the Effective Entry Date field to specify the date the payment is intended to be settled. Coding the field with “today’s” date indicates a Same Day ACH; coding the field with one or two days following “today’s” date indicates “classic” ACH settlement.
- NOTE: If the payment contains a stale (i.e. old) or invalid date in the Effective Entry Date field, the payment will be processed in the next available window, which could be same day or next day.

How Will Same Day ACH Transactions be Identified When Sending a Payment? *(continued)*

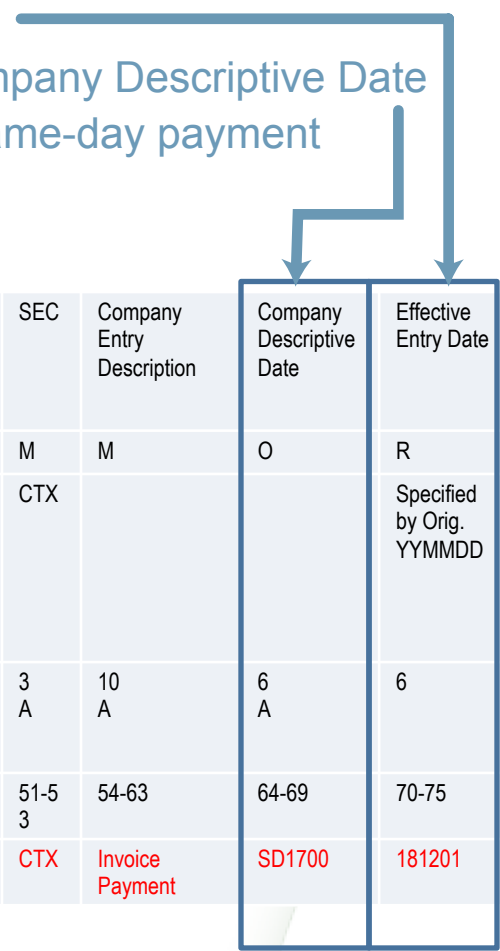
Optional method to identify a Same Day ACH for sending a payment:

ODFIs (payer's bank) at their discretion may require their payer clients to further show intent for same-day settlement using an optional, yet standardized, same-day indicator in the Company Descriptive Date field.

- Company Descriptive Date is an optional field that can be used by payers to convey information to the payee (seller). It is never used to control timing of any computer or manual operation, except in this case the payer and payer's bank could agree to use this field to further identify a Same Day ACH payment.
- If the optional indicator is used, the content of this field should be formatted using the convention "SDHHMM", where the "SD" in positions 64-65 denotes the intent for same-day settlement, and the hours and minutes in positions 66-69 denote the desired settlement time using a 24-hour clock. The ODFI would validate that the field contains either "SD1300" for settlement desired at 1:00 p.m. ET, or "SD1700" for settlement desired at 5:00 p.m. ET.

ACH Record Format: The Batch Header or “5” Record Provides Payer and Settlement Information

- Effective Entry Date Must Have “Today’s” Date
 - Example, “today” is Dec. 1, 2018
- Optional Identification Method – Company Descriptive Date
- Old/stale date may risk accidental same-day payment



	Record Type Code	Service Class Code	Company Name	Company Discretionary Data	Company Identification	SEC	Company Entry Description	Company Descriptive Date	Effective Entry Date	FRB Settlement Date	OFI Status Code	Originating DFI Identification	Batch Number
	M	M	M	O	M	M	M	O	R		M	M	M
Contents	5	200	Billor	Additional Originator Info	Originator ID Number	CTX			Specified by Orig. YYMMDD	Blank	Always “1”	Billor’s RTN	Assigned by originator; zero filled and sequential
Length/ Alpha-Numeric	1	3 N	16 A	20 A	10 A	3 A	10 A	6 A	6	3 N	1 A	8 TTTT AAAA	7 N
Position	01-01	02-04	05-20	21-40	41-50	51-53	54-63	64-69	70-75	76-78	79-79	80-87	88-94
Example	5	220	Main Street Bank	ABC Company	8932728590	CTX	Invoice Payment	SD1700	181201		1	46573831	0000001

Business Implementation Considerations: Sending Payments/Origination

1. Analyze Use Cases/Opportunity Assessment

- Expedited payment needs: emergency payroll, off-cycle disbursements and corrections or payouts, time critical/due-date payments, account transfers, errors/payment re-initiation, strategic supplier payments

2. Review Payment Services/ACH Origination Agreement

- Same Day ACH service availability
- New file submission schedule, cut-off times
- Exceptions resolution schedule and cut-off times
- Payment confirmation notifications
- Schedule/timing for funds withdraw
- Fees

3. Assess Internal Processes and Systems

- Update supplier master file - identify which companies/which payments will be sent Same Day ACH
- Identify which payments to be sent Same Day - possible changes to daily/scheduled pay and supplier payment runs
- Trading partner contract review (payment terms/timing of debits)
- Ensure proper use of Effective Entry Date
- Create new /separate file output for Same Day ACH
 - Identifying Same Day ACH transactions (i.e. Effective Entry Date on the Batch Header), and “weed out” ineligible payments (e.g. payments above the \$25,000 limit and IATs)
 - Determine schedule for submitting single and/or multiple window batches for credits and debits; understand treasury impacts
- Test file delivery methods and channels internally, and with bank/vendor partners

Business Implementation Considerations: Sending Payments/Origination *(continued)*

4. Evaluate Risk

- Review depository agreements
 - Transaction accounts will be debited for outgoing and credited with incoming same-day payments sooner than before. Assess impact to intraday liquidity/liquidity risk/daylight overdraft; subscribe to intraday bank reports to stay on top of cash position
- Assess risk controls
 - As transactions move faster, so too will transactions that are erroneous or not due to an employee. Less time might be available to screen transactions for errors and to correct any errors



Same Day ACH Implementation Considerations for Receiving Payments and Collections Processes

How Will Same Day ACH Transactions be Identified when Receiving a Payment?


Receiving a Same Day ACH payment – Mandatory Identification

- Same Day ACH payments will be identified with “today’s” date in the Settlement Date field
 - The Settlement Date is dictated by the ACH Operator of the RDFI (payee’s bank), and is intended to indicate when the RDFI will be credited or debited by the Federal Reserve. Typically the Settlement Date inserted by the ACH Operator is the same as the Effective Entry Date inserted by the Originator (payer).

ACH Record Format: The Batch Header or “5” Record Provides Payer and Settlement Information

Received Same Day ACH payment will have “Today’s” date in “Settlement Date” field

Example, “today” is Dec.1, 2018 (336 Julian Date)



	Record Type Code	Service Class Code	Company Name	Company Discretionary Data	Company Identification	SEC	Company Entry Description	Company Descriptive Date	Effective Entry Date	FRB Settlement Date	OFI Status Code	Originating DFI Identification	Batch Number
	M	M	M	O	M	M	M	O	R		M	M	M
Contents	5	200	Billr	Additional Originator Info	Originator ID Number	CTX			Specified by Orig. YYMMDD	Blank	Always “1”	Billr’s RTN	Assigned by originator; zero filled and sequential
Length/ Alpha-Numeric	1	3 N	16 A	20 A	10 A	3 A	10 A	6 A	6	3 N	1 A	8 TTTT AAAA	7 N
Position	01-01	02-04	05-20	21-40	41-50	51-53	54-63	64-69	70-75	76-78	79-79	80-87	88-94
Example	5	220	Main Street Bank	ABC Company	8932728590	CTX	Invoice Payment	SD1700	181201	336	1	46573831	0000001

Business Implementation Considerations: Receiving Payments/Enhancing Collections

1. Analyze Use Cases/Opportunity Assessment

- Encourage Same Day ACH credit payments from customers vs. other expedited options
- Evaluate using Same Day ACH debits for collections and receivables
- Evaluate using Same Day ACH non-monetary payments for receivables process improvements

2. Review Bank/Payment Provider ACH Payment Receipt Services/Depository Agreement

- Same Day ACH payment/posting/cash file delivery schedule
- New collections file submission schedule/cut off times for debit payment, collections and non-monetary transactions
- Funds availability schedules
- Fees

3. Assess Internal Receivable Processes and Systems Impact

- Process for crediting customer for same-day payments
- Posting of late-day debits
- Late-day payment/reporting/cash file
- Trading partner contract review (payment terms, e.g. providing the additional option of Same Day ACH in contract)
- 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 partners

4. Other

- 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)



For more information, visit

www.nacha.org/same-day-ach

and

www.nacha.org/correlations