

Same Day ACH – The Future is Here!

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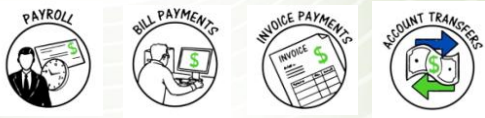
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Why Same Day ACH?

Responding to Market Needs



- 86 million ACH payments are made every day (1Q17)
- Same Day ACH creates an option
- Support desires of your bank customers or credit union members

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Same Day ACH Implementation – Three Phases

Functionality	Phase 1 Sept. 23, 2016	Phase 2 Sept. 15, 2017	Phase 3 March 16, 2018
Transaction Eligibility (\$25,000 limit; IAT not eligible)	Credits only	Credits and debits	Credits and debits
New Same Day ACH Processing Windows	10:30 am ET and 2:45 pm ET	10:30 am ET and 2:45 pm ET	10:30 am ET and 2:45 pm ET
New Settlement Time(s)	1:00 pm ET and 5:00 pm ET	1:00 pm ET and 5:00 pm ET	1:00 pm ET and 5:00 pm ET
ACH Credit Funds Availability	End of RDFI's processing day	End of RDFI's processing day	5:00 pm RDFI local time

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Looking Back: Operator Collaboration

- Collaboration on Same Day ACH has been continuous throughout the rulemaking and implementation period, and is ongoing
 - Between ACH Operators directly
 - Jointly with NACHA
 - Collectively with financial institutions/RPAs
- Ensure alignment between what the industry says it wants (expressed via the rulemaking process), and the infrastructure and services that the Operators provide
- Ensure that Same Day ACH is ubiquitous and is working as intended
- Plan for same-day processing windows that can accommodate projected usage

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2016 AFP Electronic Payments Survey

Underwritten by J.P. Morgan

- Likely uses of Same Day ACH Payments
 - Last-minute bill payments – 58%
 - Emergency payroll – 38%
 - AP payments on last day of discount availability – 24%
 - Most payments, provide clients with fastest payments possible – 19%
 - Trading partner payments – 17%
 - Other – 10%

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Same Day ACH Credits Can Be Sent Now!

- Certain payroll payments
 - Recovery from missed deadlines and other errors
 - Hourly and temporary workers
 - Contract employees
 - Termination pay
- Business to consumer
 - Insurance claim payments
 - Loan disbursements
 - Refunds
- Business to business
 - Just-in-time payments for release/shipment of goods
 - Invoice due date / late payments
 - Merchant funding
- Person-to-person payments
 - Gifts, allowances, bill sharing

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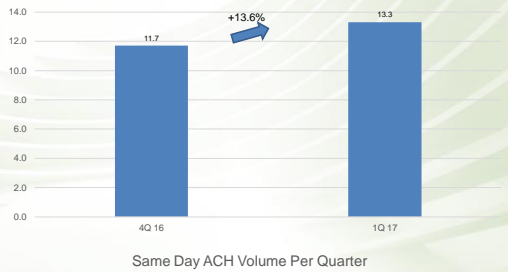
Same Day ACH Transaction Volume

- ACH Operator reported volume for September 23, 2016 – March 31, 2017
 - 26.3 million same-day ACH transactions
 - Approx. 204 thousand per processing day
 - \$34.4 billion transferred
 - Average of \$1,307 per transaction

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Same Day ACH Transaction Volume

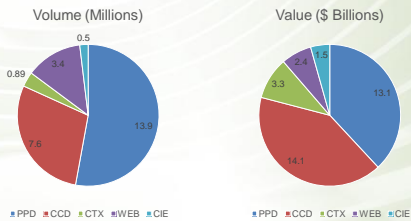


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Same Day ACH Transaction Volume

By SEC Code



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NACHA Survey of Direct FI Members – Post-Implementation (Dec 2016-Jan 2017)

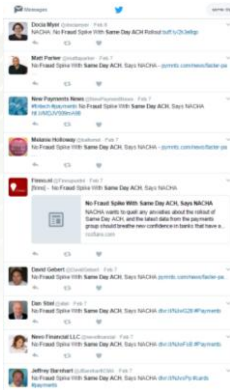
Findings

- 61% of Receiving FIs said volume received was about what was anticipated; 22% said volume was higher than anticipated
- 55% of Originating FIs said volume was about what was anticipated; 35% said volume was higher than anticipated
- 80% of Originating FIs anticipate SDA volume will grow at a steady rate over the next 6-9 months
- FIs are not experiencing higher fraud as a result of Same Day ACH
 - Same Day ACH does not introduce new vectors for fraud

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Looking Forward - Use Cases for Same Day ACH Debits

ACH Debits become eligible for same-day processing on
September 15, 2017

- Consumer billing
 - Due date / late payments
 - Payments to initiate, stop, or prevent loss of service
 - Any bill payment in which credit is given immediately
 - Any bill payment in which non-payment risk is elevated
- Check conversion/POS
 - Merchants and lockboxes
- Collections
- Business-to-business
 - Just-in-time payments for release/shipment of goods
 - Invoice due date / late payments
- Individual account-to-account transfers

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Phase 2 Implementation Considerations

- Testing, Testing, Testing
 - NACHA and both ACH Operators strongly encourage all parties to test
 - Both ACH Operators will offer testing for Phase 2 readiness; testing schedules have been released for summer of 2017
 - Testing should include more than just file pick up; also posting to downstream applications, and reconciliation with both the Operator and the customer
 - Don't assume you are covered because your business partner has tested that
 - Don't assume you are covered because "we did it already" in Phase 1

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Phase 2 Implementation Considerations

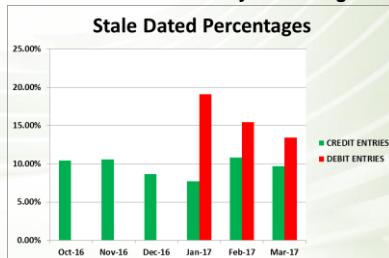
- "Check and Correct" Effective Entry Dates
 - It is the responsibility of every ODFI and all their Originators to take reasonable care that debits settle on the date intended, even for those not planning to use Same Day ACH
 - Debiting early is prohibited by the Rules, but more importantly there are other potential significant risks to debiting consumers too early
 - Elevated risk of returns as unauthorized, which incur the Unauthorized Entry Fee
 - Reputational injury for processing errors that are preventable
 - Originators whose systems use "default dates" are at an elevated risk of unintentional same-day origination
 - Don't be that guy! Take reasonable care to prevent unintentional same-day debits
 - Read ACH Operations Bulletin #2-2017 on Same Day ACH and Debit Processing

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Timing of Consumer Debits

FedACH Effective Entry Date Usage*



* This is not representative of entire ACH network; figures include those eligible entries submitted to FedACH prior to the 2:45 pm ET deadline (not IAT, not over \$25K)

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Phase 2 Implementation Considerations

- Faster returns
 - While already available, RDFIs should consider using the new same-day processing windows for sending returns
 - Clears exceptions off the books faster
 - RDFIs re-credited faster for debit returns
 - There are no eligibility restrictions and no Same Day Entry Fee charges
 - Allows ODFI and Originator to receive and fix exceptions faster

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Same Day ACH and the U.S. Treasury

- The U.S. Treasury intends to be ready to go live with Same Day ACH on September 15, 2017
 - Same date as the Phase 2 effective date
 - As of this date, the U.S. Treasury's Bureau of Fiscal Services will be ready to receive same-day ACH credits for tax and non-tax payments
 - The Bureau will then roll out Same Day ACH origination capabilities, beginning with the IRS' Electronic Federal Tax Payment System (EFTPS) in October 2017
 - Treasury's participation and go-live date are dependent on the publication of a final rule (31 CFR Part 210)

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ODFI Call to Action

- Decide which Same Day ACH debit services will meet the needs of various customers or members
 - Understand use cases
 - Same Day ACH is an option – for both “which customers” and “which use cases” to support
- Address correct dating of transactions
 - Identify and contact Originators with incorrect dates, or other act to address incorrect dates
- Communicate with corporate customers on use cases and correct formatting
- Review corporate reports, Treasury Management and online banking systems for Same Day ACH integration
- Ask vendors and processors about their support for Phase 2

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RDFI Call to Action

- Understand schedules for receipt of same-day transactions
(Operator delivery schedules will not change from Phase 1)
- Determine how and when to post received same-day debit transactions
- Review opportunity to send returns faster via same-day processing windows
- Review corporate reports, Treasury Management and online banking systems for Same Day ACH integration
- Communicate with corporate customers on file delivery including remittance and posting requirements
- Ask vendors and processors about their support for Phase 2

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Corporate Call to Action

- Evaluate new opportunities to originate same-day debit payments
 - Same Day ACH is an option to discuss with your financial institution
- Effective date needs to be accurate, even if you are not intending to originate same-day transactions
 - Do not be an unintentional Same Day ACH originator
- Understand potential to receive same-day transactions
 - Contact your financial institution about transaction, information, and balance reports
- Understand potential impact on cash balances
 - Phase 1 limited to credits; Phase 2 includes credits and debits
 - Transaction limit of \$25,000

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Processor Call to Action

- Work proactively with all clients to be ready for Phase 2 Same Day ACH implementation
- Provide education and opportunities for testing in advance of the go-live date
- Understand your role in accurate processing, especially with respect to correct timing and dates
- Collaborate with NACHA and ACH Operators on readiness status

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Phase 3 – Funds Availability

NACHA asked member RDFIs when they would be ready to meet the Phase 3 customer funds availability requirement of 5:00 p.m. local time

- Based on number of respondents
 - 70% at Phase 1 date (prior to requirement by rule)
 - 2% at Phase 2 date (prior to requirement by rule)
 - 25% at Phase 3 date (deadline required by rule)
 - 2% Other – N/A do not have transaction accounts
- Based on transaction volume
 - Respondents indicating they will provide Phase 3 availability in Phase 1 represent 44% of commercial ACH Network received volume

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The Whole Picture

- Phase 1 went very well for a number of reasons
 - Something new in the Network creates excitement
 - Significant industry engagement and education
 - Great collaboration
 - Eligibility limited to low-dollar credits
- Phase 2 success is dependent on the reasons above plus
 - Increased importance of proper use of effective entry dates
 - Understanding the potential impact of debits being processed faster
 - Greater participation in testing
 - Ongoing organization and management attention

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Appendix

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FEDERAL RESERVE FINANCIAL SERVICES

FedACH® Processing Schedule (effective Sept. 25, 2016)		
Transmission Window	Target Distribution	Settlement Schedule
FedACH Forward – Future Dated Items		
10:30 a.m. ET (1030-ET)	12 noon ET (1200-ET)	
2:45 p.m. ET (1445-ET)	4 p.m. ET (1600-ET)	For all: 8:30 p.m. ET (2030-ET) - Future Business Day
8 p.m. ET (2000-ET)	10 p.m. ET (2200-ET)	
2:15 a.m. ET (0215-ET)	6 a.m. ET (0600-ET)	
FedACH Forward – Same Day Items		
10:30 a.m. ET (1030-ET)	12 noon ET (1200-ET)	1 p.m. ET (1300-ET) - Current Business Day
2:45 p.m. ET (1445-ET)	4 p.m. ET (1600-ET)	5 p.m. ET (1700-ET) - Current Business Day
FedACH Returns*		
10:30 a.m. ET (1030-ET)	12 noon ET (1200-ET)	1 p.m. ET (1300-ET) - Current Business Day
2:45 p.m. ET (1445-ET)	4 p.m. ET (1600-ET)	5 p.m. ET (1700-ET) - Current Business Day
4 p.m. ET (1600-ET)	5 p.m. ET (1700-ET)	5:30 p.m. ET (1730-ET) - Current Business Day
8 p.m. ET (2000-ET)	10 p.m. ET (2200-ET)	8:30 a.m. ET (0830-ET) - Next Business Day
2:15 a.m. ET (0215-ET)	6 a.m. ET (0600-ET)	8:30 a.m. ET (0830-ET) - Next Business Day

*Returns return on future dated and received within the 1030 ET, 1445 ET, and 1600 ET transmission windows will settle on the current business day in accordance with the rules provided above. All other return items will settle on 0830 ET on the next business day following transmission.

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Processing day -- All times are Eastern

6:00 am	Origination files for Current Business Day are accepted from ODFIs
8:30 am	1st Distribution of the day - Output files available to large EPN Receivers - Output files distributed to Fed RDFIs
8:35 am	EPN Primary Settlement complete and final
10:30 am	ODFI Deposit Deadline for Inter-Operator entries - Forward same-day transactions to settle by 1:00 pm current day - Returns to settle by 1:00 pm current day
11:00 am	ODFI deposit deadline for Intra-EPN entries - Forward same-day transactions to settle by 1:00 pm current day - Returns to settle by 1:00 pm current day
11:30 am	2nd Distribution of the day - Output and Advice files available to all EPN RDFIs - Output files distributed to Fed RDFIs
1:10 pm	EPN 13:00 Same Day Settlement complete
2:45 pm	ODFI Deposit Deadline for Inter-Operator entries - Forward same-day transactions to settle by 5:00 pm current day - Returns to settle by 5:00 pm current day
3:15 pm	ODFI deposit deadline for Intra-EPN entries - Forward same-day transactions to settle by 1:00 pm current day - Returns to settle by 1:00 pm current day
3:45 pm	3rd Distribution of the day - Output files available to all EPN RDFIs - Output files distributed to Fed RDFIs

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Processing day -- All times are Eastern

4:00 pm	Accept early deposit of origination files scheduled for the Next Business Day
4:00 pm	ODFI Deposit Deadline for Inter-Operator and Intra-EPN entries - Returns to settle by 5:00 pm current day
4:30 pm	4th Distribution of the day - Output and Advice files available to all EPN RDFIs - Output files distributed to Fed RDFIs
5:10 pm	EPN 5:00 pm Same-Day Settlement complete
8:30 pm	5th Distribution of the day - Output files available to all large EPN Receivers - Output files distributed to Fed RDFIs
11:30 pm	6th Distribution of the day - Output files available to all EPN RDFIs - Output files distributed to Fed RDFIs
Last exchange of the processing day:	
2:30 am	ODFI Deposit Deadline for Inter-Operator entries
4:00 am	7th Distribution of the day - Output and Advice files available to all EPN RDFIs

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