



Same Day ACH



The payments industry has continuously looked for ways to process payments faster and more efficiently. To this end, the National Automated Clearing House Association (NACHA) and the Federal Reserve have approved the Same Day ACH rule. This change requires receiving depository financial institutions (RDFIs) to post qualifying ACH transactions on the same day an originating depository financial institution (ODFI) delivers it.

Here's what you need to know about this change:

Rule Change Overview

The traditional settlement period for ACH transactions is one or two banking days after processing. This rule change enables same-day processing and settlement of ACH payments through the network without affecting existing schedules and capabilities.

Rule Functions by Phase

The rule was implemented in three separate phases. The first phase allowed for credit origination only. This phased approach allowed the industry to acclimate toward a faster payment process before debits became eligible in Phase 2. It also provided financial institutions ample time to make system changes to meet the funds availability requirement in Phase 3.

Functionality	Phase 1 Sept 23, 2016	Phase 2 Sept 15, 2017	Phase 3 Mar 16, 2018
Transaction Eligibility (\$25,000 Max limit; IAT excluded)	Credits Only	Credits and Debits	Credits and Debits
First Horizon Cutoff Times (Business Banking Online)	12:45 PM Eastern	12:45 PM Eastern	12:45 PM Eastern
First Horizon Cutoff Times (Direct Transmissions)	1:30 PM Eastern	1:30 PM Eastern	1:30 PM Eastern
ACH Credit Funds Availability	End of RDFI's processing day	End of RDFI's processing day	5:00 PM RDFI's local time

Rule Components

Transaction Types	All ACH transaction types (Standard Entry Class Codes) qualify for Same Day ACH processing except International ACH transactions (IAT).
Transaction Amount Limit	There is a maximum \$100,000 limit on individual transactions, but there is no limit on the dollar amount of an ACH file or batch. Structuring large payments into a series of transactions below the \$100,000 maximum amount is a violation of this rule subject to penalties.
First Horizon Cutoff Times	In order to meet the Federal Reserve processing deadlines, First Horizon has established two file transmission/cutoff times to qualify for same day processing: 12:45 PM Eastern Time (Business Banking Online) 1:30 PM Eastern Time (Direct Transmission)
Settlement Date	Same-day payments will be identified by the Effective Entry Date located in the Batch Header record (i.e. settlement date).
Receiving Depository Financial Institution (RDFI)	All RDFIs are required to post valid Same Day ACH transactions according to the NACHA rules.
Originating Depository Financial Institution (ODFI)	The rule is optional for ODFIs to offer Same Day ACH processing. First Horizon will offer Same Day ACH origination and charge a premium per transaction fee.

Fees	ACH Originators will be charged a premium Same Day ACH transaction fee. ACH Receivers will not be charged any additional fees for Same Day ACH transactions.
Controlling Originated Activity	Any transaction that ACH Originators submit through Business Banking Online or transmit to the bank will be subject to the new NACHA Same Day ACH rule. If an ACH transaction qualifies according to the NACHA rules and First Horizon Cutoff Times, it will be processed and charged as a same-day transaction. Originators can prevent transactions from posting on the same day, even if they have an effective date of today (or earlier) by sending the file to the bank after the last Same Day ACH cutoff time. NOTE: BizEssentials Cash Management Package customers will need to opt in to utilize the service.
Real-time vs. Same Day ACH	Same Day ACH is not the same as “real time.” As an originator, you will need to submit files by First Horizon Cutoff Times in order to meet the Federal Reserve processing times. As a receiver, RDFIs also are required to post qualifying transactions on the same day received, but not necessarily in real time. First Horizon posts all ACH transactions to customer accounts several times per day.
Phased in Approach	Please see the “Rule Functions by Phase” section above for details on the rollout.
ACH Network	The rule does not alter existing capabilities in the ACH network.

Same Day ACH – Benefits

- Provides option for emergency payroll, bonuses, off-cycle payroll
- Faster business to consumer payouts (i.e. insurance payout, disaster assistance, refunds)
- Faster business to business (goods held until payment received)
- Due date vendor payments
- Expedited bill payments and account-to-account transfers

What Originators Should Consider

- **Cost considerations:** Due to higher cost of processing Same Day ACH items First Horizon will charge a higher price for these transactions. Originators should weigh the benefits against potential higher costs.
- **Systems review:** Review internal systems and make adjustments as necessary to ensure your payments are processed as desired.
- **Using the Effective Entry Date field:** This is how First Horizon will determine if a transaction should be processed same-day.
 - If you currently send in files with today’s effective date (or earlier) those files could be processed same-day even if you don’t intend them to.
 - If you do not wish to have those transactions processed same-day you will need to update your systems, processes, and procedures to include a future date, or simply send the file after the same-day processing cutoff time of 1:30 PM Eastern.
- **Transaction controls:** Any transaction dated for same-day, but not meeting the transaction type, amount limit or cut off times will still be sent to the Federal Reserve, but the effective date will be advanced by one banking day before being sent to the receiving bank and will not be processed or charged as a Same Day ACH transaction.

- **Faster funds availability:** Monitor your accounts closely since debit and/or credits could be posting to your accounts quicker. Log onto Business Banking Online to view your transactions.
- **Potential for faster returns:** Receiving banks may return same-day entries using same-day processing windows; as result, originators may receive return items more quickly.
- **Lower your credit exposure:** Depending on the volume of same-day transactions, you may be able to lower exposure limits due to faster settlement.
- **Fraud concerns:** Since payments will be flowing faster, this could attract fraudsters. Make sure your systems and processes are secure and you have dual-approval for processing transactions.
- **Check authorization language:** All originators who intend to process same-day ACH debits should review their authorization language regarding the timing of debits to ensure the terms are clear and readily understandable. If wording changes are needed, obtain a new authorization from the client before initiating a same-day ACH debit.

Questions?

Contact your First Horizon Relationship Manager or Treasury Management Sales Officer for more information on Same Day ACH and the impact to your business.
