

June 24, 2015

By electronic delivery to:

Mr. Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Regs.comments@federalreserve.gov

Re: Enhancements to the Federal Reserve Bank Same-Day ACH Service, Request for Comments
Docket No. OP-1515

Dear Mr. deV. Frierson:

The American Bankers Association (ABA)¹ appreciates the opportunity to submit its views on the issues raised by the Federal Reserve's request for comment regarding enhancements to the Automated Clearing House (ACH) Network approved last month. NACHA-The Electronic Payment Association adopted the rule that would enable same-day processing of ACH transactions by adding two additional settlement windows during the business day while maintaining the existing overnight batch for a total of three opportunities per week day to send an ACH entry.

ABA strongly supports the NACHA initiative to improve the payments network through adding the additional settlement windows. There is customer demand for faster payments and this rule was approved overwhelmingly by NACHA's voting members. However, it is important to recognize that to ensure that all participants will have access to the benefits of faster payments, the rule requires that all financial institutions accept these same-day entries. This mandate will affect all banks and there are no exceptions. The mandate that all financial institutions must be able to process these entries is essential to ensure that there is network ubiquity assuring that any same-day transaction that is originated can be processed during that day.

Requiring network ubiquity has costs. All financial institutions will be required to absorb new costs associated with implementing upgrades to receive same-day ACH entries along with ongoing expenses associated with processing two additional settlement windows.

The rule includes a provision that requires Originating Depository Financial Institutions (ODFIs) to pass along a 5.2 cent interbank compensation fee to Receiving Depository Financial Institutions (RDFIs) for each same-day ACH entry. This fee is intended to offset costs for RDFIs associated with the required system upgrades and ongoing expenses.

ABA recognizes that network ubiquity is necessary for the success of same-day ACH processing. Achieving ubiquity through a mandate is the best way to meet this goal. The interbank compensation fee is an equitable method to offset the costs that RDFIs must absorb.

¹ The American Bankers Association is the voice of the nation's \$15 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard \$11 trillion in deposits and extend more than 48 trillion in loans. Learn more at www.aba.com.

ABA strongly supports the provisions in the NACHA rule that mandate RDFIs accept same-day ACH entries and that ODFIs compensate RDFIs 5.2 cents per entry to offset costs of implementation.

Mandate

Same Day ACH transactions will be successful only if all participants are capable of receiving these faster transactions. The only way to ensure ubiquity is to mandate that RDFIs receive these faster entries. Participants may choose to originate same-day ACH transactions, but every party must be able to accept them in order for the system to maximize their benefits. Participants will only originate same-day ACH transactions if they are certain that they can be received.

The current *FedACH® SameDay Service* demonstrates how failing to reach network ubiquity limits the success of a faster payments initiative. The *FedACH® SameDay Service* is a voluntary program where financial institutions must opt in to receiving and originating faster ACH entries. The program is five years old and only 100 financial institutions use it. The benefits of offering this service as an ODFI are limited because there are a limited number of RDFIs that accept the faster payment. The low rate of participation can be linked to the lack of incentive for RDFIs to accept these transactions coupled with the expense of making system upgrades to post faster transactions. RDFIs do not receive any direct compensation and are granted only a discount in ACH processing fees for receipt of these items.

Interbank Compensation

Given that ACH network ubiquity is essential for Same-Day ACH transactions to succeed, it is important to note that financial institutions will exist only for as long as costs are exceeded by revenues. If RDFIs are mandated to receive Same-Day ACH entries they will be required to absorb costs related to system upgrades and ongoing expenses. These costs need to be offset.

The NACHA rule requires ODFIs pay a 5.2 cent interbank compensation fee to RDFIs for each Same-Day ACH transaction. ODFIs would not be required to pay this fee if they use conventional overnight ACH services. But, if the ODFIs elect to send the payment faster, then the fee would be required. ODFIs offering this service to customers would likely offer it for a fee allowing them to offset their own costs as well as the RDFI's expenses.

The 5.2 cent interbank compensation fee would allow RDFIs to recover a portion of their implementation and maintenance costs. In fact, a large number of financial institutions that will receive low volumes of same-day ACH transaction may not receive enough compensation to offset their fixed and variable costs. It is also important to note that the interbank compensation fee can never exceed 5.2 cents per transaction and it will decrease if actual Same-Day ACH volume exceeds projections by 25% in the fifth year of operation.

Conclusion

ABA supports faster, safer payments. We support the NACHA Same Day ACH rule provided that it includes the mandate that RDFIs accept Same-Day ACH entries and when ODFIs compensate RDFIs 5.2 cents per transaction for accepting these transactions. Mandating RDFI acceptance of Same-Day ACH entries is the only way to ensure that all participants in the network will receive these transactions. Given the necessity of the mandate, the interbank compensation fee of 5.2 cents per transaction is appropriate to offset new costs borne by the RDFIs.

ABA appreciates the opportunity to comment on the Board of Governors Request for Comment on enhancements to the existing ACH service to reflect the recent change in NACHA rules. We encourage the Board to support the NACHA rule change and to make that support known promptly so financial institutions can begin system implementations without further delay. If you have any questions or comments please contact the undersigned at skenneally@aba.com or by telephone at 202.663.5147.

Sincerely,

A handwritten signature in cursive script that reads "Stephen K. Kenneally". The signature is written in black ink and is positioned above the printed name and title.

Stephen K. Kenneally
Vice President