



AMERICAN PAYROLL ASSOCIATION

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June 29, 2015

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Submitted via e-mail to: regs.comments@federalreserve.gov

Re: Docket No. OP-1515

Dear Mr. Frierson

The American Payroll Association (APA) thanks you for the opportunity to provide feedback concerning the enhancements that the Federal Reserve Banks (Reserve Banks) are considering to their current same-day ACH service. The enhancements would require incorporation of NACHA – the Electronic Payments Association’s (NACHA) recently amended operating rules that allow for same-day ACH transactions. The APA supports the move to a faster payments system and believes that the Reserve Banks should incorporate NACHA’s amended rules.

About the American Payroll Association

The APA is a nonprofit professional association of over 20,000 payroll professionals in the United States. Our membership also includes representatives of large, medium, and small payroll service providers who are responsible for processing payroll for an additional 1.5 million employers. In total, the APA represents those professionals responsible for paying an aggregate total of one-third of the private sector workforce. The APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers, while complying with applicable federal, state, and local laws. In addition, the APA's Electronic Payments Committee promotes the expanded use of direct deposit and electronic payments.

Support for Same-Day ACH Settlement

The APA believes that the same-day settlement of ACH transactions will benefit both payroll professionals and the employees they pay. There are certain payroll transactions that employers may especially appreciate being able to process on a same-day basis. These transactions include off-cycle direct deposits, payments to terminated employees, and remittance of employment tax payments on the due date. It is also important to note that same-day ACH transactions represent an additional tool for employers that make electronic payments rather than a mandate. An employer could choose to keep to a traditional schedule, if that is a better fit with the employer's business objectives.

When it reviewed NACHA's original same-day ACH settlement proposal, the APA's Electronic Payments Committee found broad support for faster ACH transactions. In fact, there is support for an additional settlement window (or later deadline) to accommodate employers and banks that are located in the Mountain and Pacific time zones. But even without the additional settlement window, the Electronic Payments Committee strongly supports the incorporation of the amended NACHA operating rules by the Reserve Banks.

The Board of Governors' (Board) request for comment outlines the criteria that must be met when it considers whether to implement a major change such as incorporating NACHA's same-day ACH operating rules. Those factors include cost recovery by Reserve Banks, a clear public benefit, and that the "service must be one that other providers alone cannot be expected to provide with reasonable effectiveness, scope, and equity." The Board states its well-founded belief that "a same-day ACH service offers clear public benefits," and also notes that same-day ACH services "may have a significant long-run effect on the nation's payment system through increased efficiency and integrity of the ACH Network." The APA agrees with these conclusions and supports implementing same-day ACH transactions.

Mandatory RDFI Participation and the Proposed Interbank Fee

The Board specifically requested comment on whether Receiving Depository Financial Institution (RDFI) participation should be mandatory and also whether the interbank fee appropriately addresses implementation and ongoing operating costs. The APA supports both mandatory participation by RDFIs and the proposed interbank fee.

The APA strongly believes that the success of the same-day ACH service lies in its universal availability. Employers opting to pay employees through same-day ACH need reassurance that all employees, regardless of their financial institution, will be able to receive their wages via direct deposit on payday. Evidence of the need for ubiquitous availability of the service may be seen in the experience with the Reserve Banks' FedACH SameDay Service. A likely factor

contributing to the limited adoption of the FedACH SameDay Service is that RDFI participation is optional. The APA supports requiring all RDFIs to participate in the same-day ACH service.

The APA also believes that the proposed interbank fee is appropriate. The explanation of the methodology used to determine the transaction fee, included in footnote 16 to the comment request, indicates that NACHA accounted for implementation costs, ongoing costs, and a rate of return of 12.2% to arrive at the proposed fee of 5.2 cents per same-day ACH transaction. If RDFI participation is mandatory, as the APA believes it should be, then RDFIs should also receive a fee that is in line with their costs. The rule also provides for periodic reviews of the transaction fee, which may only be lowered. These reviews should protect both RDFIs and bank customers that utilize the same-day ACH service.

Conclusion

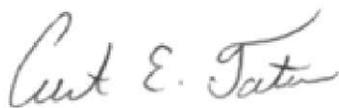
The APA supports the move to a faster payment system and recommends that the Reserve Banks incorporate NACHA's amended operating rules and implement a mandatory same-day ACH service.

If you have any questions, please contact Curtis Tatum, whose contact information is provided below.

Sincerely,



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American Payroll Association



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