

From: Independent Payroll Providers Association and The Payroll Group, Horacio Lopez and Hunt Schuster
Proposal: 1515 - Enhancements- Federal Reserve Bank Same-Day ACH Service
Subject: Enhancements - FR Bank Same-Day ACH Service

Comments:

Joint Response from IPPA and TPG to Federal Reserve Bank's Request for Comments on Enhancements to Same Day ACH Service

June 25, 2015

Mr. Robert DeV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551

Dear Mr. Frierson:

The Independent Payroll Providers Association (IPPA) and The Payroll Group (TPG) thank you for the opportunity to submit comments on the enhancements to same day ACH service recently announced by the Federal Reserve Bank. The IPPA and TPG support changes proposed for the Reserve Bank's same-day automated clearing house (ACH) service and offer the following additional comments.

About the Independent Payroll Providers Association and the Payroll Group

IPPA and TPG are non-profit professional associations that represent payroll service companies in the United States. IPPA and TPG have more than 350 members doing business in all 50 states. IPPA and TPG were formed to educate members about evolving payroll industry business practices; to encourage members to adopt best industry practices; and to comply with all applicable federal, state and local laws.

Support for proposed Enhancements to the Federal Reserve's Same-Day ACH Service

Mandatory Participation of RDFIs -- IPPA and TPG supported the recent change to NACHAs rules that will lead to new same-day ACH service and support the Reserve Bank's proposal to incorporate NACHA's amended operating rule into its own Operating Circular 4. NACHA's rule change followed a long period of discussion, including a public comment period, and we are encouraged that the Reserve Bank's proposal will maintain consistent in the administration of ACH services.

It is our understanding that the change under consideration will require Receiving Depository Financial Institutions (RDFIs) to accept same-day ACH transactions and to make funds available from same-day ACH credits to their depositors on the same day. We agree that mandatory participation by RDFIs is critical to the success of same-day ACH service and endorse the Bank's decision to require it. We believe that the required participation of RDFIs will ensure that the change is universally applied. We also agree with the criteria the Bank uses when considering a change in its services and that this change will enhance the efficiency and integrity of the ACH

network and will yield the "clear public benefit" required by the Bank.

Interbank Fee - We agree that both RDFIs and Originating Depository Financial Institutions (ODFIs) will have to make investments in their operating systems to facilitate same-day ACH transactions. We believe such private sector investments will benefit the ACH system and should be encouraged.

We also agree that RDFIs may not be in a position to raise sufficient revenue to offset the costs incurred in the implementation and operation of the new ACH system. Accordingly, we endorse the interbank fee (5.2 cents per forward transaction) designed by NACHA and adopted by the Bank. We understand the interbank fee can be adjusted if actual transaction volume varies significantly from initial volume projections and think such adjustments will ensure that implementation and operating costs will be equitably distributed between ODFIs and RDFIs.

Conclusion - IPPA and TPG have always supported the move to a faster ACH payment system and specifically endorse the Reserve Bank's adoption of an enhanced same-day ACH service requiring the participation of ODFIs, but also allowing ODFIs to collect interbank fees by incorporating NACHA's recently amended operating rule into the Reserve Bank's Operating Circular 4.

We believe these changes are equitable and will greatly benefit the ACH system. As representatives of associations that are made up of payroll industry practitioners, we support the proposed changes.

Please contact us at 913-384-2345 if you have questions or need additional information.

Sincerely,

Horacio Lopez, President, IPPA

Hunt Schuster, Govt. Affairs Chair, TPG

TPG & IPPA Central Offices
6405 Metcalf Avenue, Suite 503
Shawnee Mission, KS 66202
Phone: 913-384-2345
Fax: 913-384-5112