

# AMERICAN PAYROLL ASSOCIATION

July 12, 2019

Ms. Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Re: Potential Modifications to the Federal Reserve Banks' National Settlement Service and Fedwire® Funds Service To Support Enhancements to the Same-Day ACH Service and Corresponding Changes to the Federal Reserve Policy on Payment System Risk, Request for Comments; Docket No. OP-1664

Dear Ms. Misback:

The American Payroll Association (APA) thanks you for the opportunity to provide feedback concerning potential modifications to the Federal Reserve Banks' (Reserve Banks) payment services to facilitate adoption of a later same-day automated clearinghouse (ACH) processing and settlement window. The APA supports these modifications, which would allow for the implementation of expanded same-day ACH transaction capabilities. These expanded capabilities will be especially helpful for payroll professionals and payroll processors who process payments in the Pacific and Mountain time zones.

## About the American Payroll Association

The APA is a nonprofit professional association representing more than 20,000 payroll professionals and the needs of their employers in the United States. 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 Expanded Same-Day ACH Settlement Capabilities**

The APA believes that the same-day settlement of ACH transactions benefits both payroll professionals and the employees they pay. These payroll transactions include emergency and off-cycle direct deposits, termination pay, and remittance of tax payments on the due date. However, as the system currently functions, the potential benefits are limited because of deadlines that are early in the day in the western time zones. APA strongly supports the proposed modifications that would establish a new later processing window.

The proposed modifications that would allow for a later same-day ACH processing window include extending the Reserve Banks' daily operating hours of the National Settlement Service (NSS) to allow the private-sector ACH operator to settle its in-network transactions resulting from the later same-day ACH window. To support these new NSS operating hours, the Reserve Banks would, in turn, extend the daily operating hours of the Fedwire Funds Service.

### **Required Criteria**

The Board of Governors' (Board) request for comment outlines the criteria that must be met when considering this type of major enhancement. The factors include: full 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 believes that the required criteria will be met by the proposed rule. The Board states its expectation that "over the long run, the Reserve Banks would be able to recover the costs associated with the proposed extended operating hours." The banks would be able to recover these costs through existing fees for NSS and the Fedwire Funds Service. The board also states that it "does not expect that other providers alone could provide the enhanced services with reasonable effectiveness, scope, and equity."

The Board also states its expectation that "extending operating hours for NSS and the Fedwire Funds Service to support a third same-day ACH window would offer public benefits," and also notes that "same-day ACH transactions are used for payroll (especially emergency payroll), business-to-business payments, consumer bill payments, and consumer account-to-account payments. By allowing ODFIs to submit same-day ACH transactions later in the business day, the third same-day ACH window could encourage more ODFIs (particularly those in the Pacific and Mountain time zones) to offer same-day ACH to their customers, potentially increasing usage more broadly and resulting in increased adoption of same-day ACH payments. This in

turn would further advance the Federal Reserve's ongoing objective to improve the safety and efficiency of payment systems in the United States."

APA strongly agrees with the Board's expectations. According to Nacha statistics, in 2018, there were 177.9 million same-day ACH transactions, of which 98.3 million transactions were credit transactions<sup>1</sup>. Same-Day ACH credit transactions are often payroll direct deposits. The number of payroll-related same-day ACH transactions has grown consistently since they were first offered in September 2016. By adding a later processing window, employers in western time zones that have not been able to take advantage of the benefits of same-day ACH will be able to do so. This would be a clear public benefit and improve the efficiency of the U.S. payment system.

While Nacha membership has approved rules to allow for the expanded capability of same-day ACH transactions, the implementation of those rules is contingent on changes to Federal Reserve services that are necessary to support the new rules. APA urges the Board to approve the proposed changes to the Federal Reserve's NSS and the Fedwire Funds Service. APA also requests that the Board move as quickly as possible to approve the proposed changes so that Nacha can meet its deadline to implement the later same-day ACH window by March 19, 2021.

### **Conclusion**

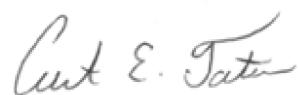
The APA supports the addition of a later same-day ACH processing window and recommends that the Board adopt the proposed modifications to support enhancements to same-day ACH capabilities.

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

Sincerely,



Laura L. Cottrell, AAP  
Chair, Electronic Payments Committee  
American Payroll Association



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<sup>1</sup> Nacha, 2018 ACH Network Volume and Value, <https://www.nacha.org/sites/default/files/2019-04/2018%20ACH%20Network%20Volume%20and%20Value.pdf>.