KEY TAKEAWAYS:

- Same-day ACH took effect in September, meaning that all financial institutions must be able to accept requests for same-day settlements of ACH credit payments for transactions of less than $25,000.

- As more real-time payment channels become the norm, some businesses may need to update their existing payments systems or hire additional staff to handle more frequent payments and resulting larger anticipated volumes.

- Although the three phrases are split out to reduce any major disruptions to the payments industry, early signs are that most financial institutions are well on their way to complying with the new rules.

Speed BOOST

What does faster ACH mean for businesses?

RICK BURKE
The same-day settlement of automated clearing house (ACH) payments is now a reality for businesses across the country. According to the NACHA, 79 million ACH payments are made every day. In total, nearly $40 trillion is moved through the ACH network each year. These payments typically take 24-48 hours to process.

But now, thanks to a new rule that went into effect on September 23, all financial institutions must be able to accept requests for same-day settlements of ACH credit payments for transactions of less than $25,000. The new rule affects virtually every player in the ACH transaction ecosystem and brings the payments industry one step closer toward real-time payment capabilities.

How does the new rule impact businesses?

With global commerce continuing to grow rapidly, there is an increased need for businesses—and consumers—to get payments and information faster. Today, the only way to do a same-day payment is via a U.S.-based wire transfer—a costly and cumbersome process that is not practical for smaller payments.

The new rules will evolve the payments industry by giving all organizations using the ACH network access to same-day settlements. While waiting a day or two for a payment to clear may not sound like a long time, businesses today are in a hyper-competitive environment that demands every dollar be used wisely and accounts receivables management is as much of a priority as accounts payable. With same-day settlements, companies will be able to both increase cash flow and improve the customer experience.

Some of the specific benefits include:

- Providing a more accurate, real-time view of balance sheets, incoming payments and any potential cash shortages
- Fulfilling emergency payroll distributions to employees for a final paycheck or to correct an error with regular payroll processing
- Reimbursing insurance claims directly into patients’ accounts, even on the same day as the procedure or appointment.

The fast and easy transfer of money will remove many of the inefficiencies from current payment and billing cycles, but companies will need to adapt. As more real-time payment channels become the norm, some businesses may need to update their existing payments systems or hire additional staff to handle more frequent payments and resulting larger anticipated volumes.

What’s next for the payments industry?

Implementation of the same-day ACH rules will occur over three phases. Following the first phase, which went into effect in September, this functionality will be expanded to also include ACH debit payments on Sept. 15, 2017. By March 16, 2018, all financial institutions will be required to provide end-of-day funds availability for same-day ACH credit payments.

Although the three phases are split out to reduce any major disruptions to the payments industry, early signs are that most financial institutions are well on their way to complying with the new rules. According to a survey conducted by NACHA, the nation’s top financial institutions are already on target to offer same-day ACH payments. Ninety-five percent of respondents indicated they will offer their clients same-day ACH origination services by year-end. One hundred percent of respondents are planning to offer same-day payroll payments and 95 percent are planning to offer same-day B2B payments, in addition to services for expedited bill pay and person-to-person (P2P).

While all current payment types will continue to exist within the ACH network, the addition of same-day capabilities represents an important milestone for the industry that will also help businesses run more efficiently. By providing businesses and customers with access to same-day settlements, the ACH network is setting a gold standard for global commerce, and implementation other payment networks and technologies will soon follow. The future of commercial payments is fast approaching—it is time for financial executives, financial institutions and affiliates to get ready.

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