



Increasing the Same Day ACH Dollar Limit

Request For Comment

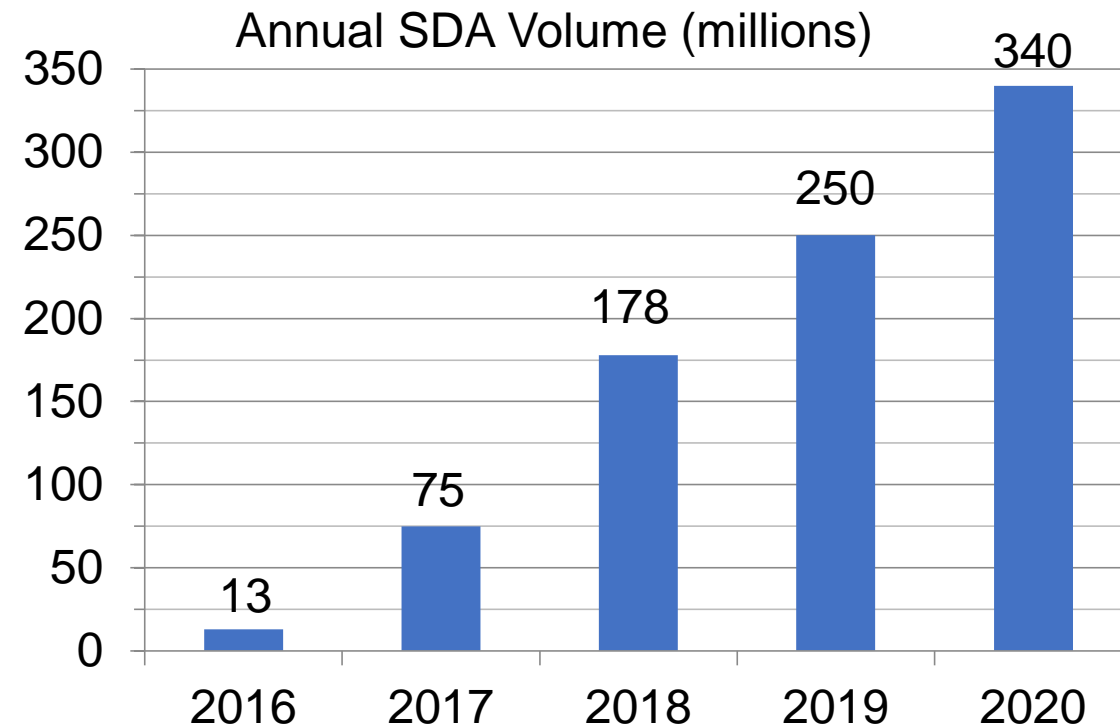
Issue date: December 7, 2020
Close date: January 22, 2021

Increasing the Same Day ACH Dollar Limit – Request for Comment

- Nacha is requesting comments on a proposal for a series of three additional increases to the dollar limit for all Same Day ACH payments
- Since its inception in 2016, enhancements to Same Day ACH have been implemented on a set schedule
- In March 2020, the initial dollar limit on Same Day ACH payments was increased to its current level of \$100,000
 - The increase had an immediate impact on Same Day ACH usage, as the average amount of a Same Day ACH payment increased by 40%
- Nacha now seeks comment on additional increases to the Same Day ACH dollar limit
- Responses on this proposal are requested by Friday, January 22, 2021

Increasing the Same Day ACH Dollar Limit – Proposal Background

- Same Day ACH capabilities have been implemented over time; five phases have been implemented so far, with a sixth scheduled for March 2021
 - Sept. 2016 – Same Day ACH Credits
 - Sept. 2017 – Same Day ACH Debits
 - March 2018 – Funds availability at 5 pm local time
 - Sept. 2019 – Additional funds availability
 - March 2020 – Dollar limit increase
 - March 2021 – Extended hours
- Adoption of Same Day ACH has been robust
 - Projected volume of 340 million in 2020
 - Major sources of volume include
 - Payroll and consumer disbursements
 - Account-to-account transfers and other consumer debits
 - Business-to-business payments



Increasing the Same Day ACH Dollar Limit – Proposed Rule Change and Effective Dates

- The proposal would increase the Same Day ACH dollar limit on a set schedule over three consecutive years
 - Industry dialogue and input to date demonstrates a preference for a single rule change with staged increases, rather than individual rule changes
 - A single rulemaking effort for multiple increases is more efficient than multiple, individual rule proposals, and allows better planning for future states
- The effective dates of the proposed schedule of increases is as follows:
 - March 18, 2022 – increase the existing limit of \$100,000 to \$1,000,000 (\$1M)
 - March 17, 2023 – increase the limit to \$10M
 - March 15, 2024 – eliminate the limit; the dollar limit for a Same Day ACH payment would be the same as for a non-Same Day ACH payment
- The increases would apply to all Same Day ACH payments
 - ACH credits and debits; consumer and business payments
- The proposal would give Nacha the ability to pause the scheduled effective dates for up to 6 months if operational, risk, or fraud issues arise
 - A 60-day notice would be given of a pause

Increasing the Same Day ACH Dollar Limit – Proposal Rationale

- The proposal would continue to expand the capabilities of Same Day ACH
- Increasing the Same Day ACH dollar limit is expected to improve Same Day ACH use cases, and contribute to additional adoption
 - Some ACH Originators need a higher percentage, or all, of their ACH payments to be eligible for Same Day ACH in order to adopt it
- Increasing the dollar limit has been a frequently asked for change by ACH end-users
 - Most recently, a summer 2020 survey of corporate ACH end-users resulted in recommendations for Same Day ACH to:
 1. Increase or remove dollar limits
 2. Expand processing hours and days
- The recent dollar limit increase had an immediate impact on the use of Same Day ACH
 - The average amount of a Same Day ACH payment increased by 40% from February to April
 - Through October 2020, dollars settling via Same Day ACH have increased by 81% compared to 2019

Increasing the Same Day ACH Dollar Limit – Anticipated Benefits

- Increasing the dollar limit is anticipated to contribute to ongoing adoption of Same Day ACH
 - Existing use cases would be improved by making a greater percentage eligible for Same Day ACH, such as for:
 - Business-to-business payments
 - Tax payments
 - Payroll funding
 - Insurance claim payments
 - Merchant settlement
 - Same Day Reversals of standard ACH payments
 - Including Same Day credits to reverse debits; and Same Day debits to reverse credits
 - A greater percentage of ACH payments, and especially ACH dollar volume, would be eligible for Same Day ACH
 - An additional 3.5% of B2B payments will become eligible for Same Day ACH
 - The percentage of ACH dollars eligible for Same Day ACH would more than double
 - By the last increase, all ACH payments (except International ACHs) would be eligible for Same Day ACH

Increasing the Same Day ACH Dollar Limit – Anticipated Impacts

- Anticipated Impacts
 - Each dollar limit increase would result in a larger amount of dollars settling at several times throughout the day – 1:00 pm; 5:00 pm, and 6:00 pm (all in ET)
 - By March 2022 (the first proposed increase), the industry will have had a year of experience with Same Day ACH payments settling at 6:00 p.m. ET
 - All ACH participants should understand, analyze and plan for these dollar flows within their organizations
 - What are the potential impacts of higher-dollar Same Day ACH credits settling at these times?
 - What are the potential impacts of higher-dollar Same Day ACH debits settling at these times?
 - ODFIs would need to determine whether to offer higher dollar limits to Same Day ACH Originators

Increasing the Same Day ACH Dollar Limit – Risk Monitoring

- Nacha frequently surveys financial institutions about Same Day ACH and risk management
- In the most recent survey following the March 2020 dollar limit increase, zero financial institutions responded that they had experienced an increase in fraud that is directly attributable to the increase in the Same Day ACH dollar limit
 - All of the responding financial institutions allow their ACH origination clients to originate Same Day ACH payments up to the new \$100,000 limit
 - Almost 70% said they have some clients who, as a normal part of their business, regularly initiate transactions above the previous \$25,000 limit
- Higher Same Day ACH limits might impact a financial institution's assessment of its customers' credit risks
- The proposed rule would enable Nacha to pause the scheduled effective dates if unanticipated risk issues arise

Increasing the Same Day ACH Dollar Limit - ACH Participant Survey Questions

Nacha requests comments on this proposal:

- Do you agree that the Same Day ACH dollar limit should be raised?
- Do you agree that a schedule should be set for multiple increases?
- Do you agree that all eligible entries should have the same limit (i.e., credits and debits; consumer and business payments)?
- Do you agree that the end-state of these increases should lead to the same dollar amount capabilities as standard ACH payments?
- Do you support the proposed scheduled effective dates of increases to the dollar limit?
- Would a higher dollar limit increase use of Same Day ACH?
- Would a higher dollar limit open any new use cases?
- Are there risks created by increasing the limits?
- Should the rules include the ability for Nacha to pause the schedule if needed without an additional rule change?