



Increasing the Same Day ACH Dollar Limit Request for Comment

*ACH Participant Survey
December 7, 2020*

COMMENTS DUE BY JANUARY 22, 2021

Nacha requests feedback on a proposal for a series of three additional increases to the dollar limit for all Same Day ACH payments on a set schedule. Questions are provided to explore the impact of this proposal on ACH Network participants. Comments are due by **Friday, January 22, 2021**.

The survey should be completed online at <https://www.nacha.org/rules/proposed> by **January 22, 2021**. For convenience, the survey questions are also provided within this document to assist respondents in gathering information from within their organizations.

Please provide responses to the respondent information section at the end of the survey. If responding to the online survey, this information will be gathered at the start of the survey.

NACHA STAFF CONTACTS

Administrative questions: Maribel Bondoc, Manager, Network Rules
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Questions: Debbie Barr, AAP, CTP, Senior Director, ACH Network
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SECTION 1 – PROPOSAL

| | | |
|--|-------------------------------------|------------|
| 1. Does your organization agree that the Same Day ACH dollar limit should be raised from its current level of \$100,000 per payment? | <input checked="" type="checkbox"/> | Yes |
| | <input type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |
| If No, please explain: | | |

| | | |
|--|-------------------------------------|------------|
| 2. Does your organization agree that all ACH entries that are eligible for same-day processing should have the same dollar limit? ¹ | <input checked="" type="checkbox"/> | Yes |
| | <input type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |

If No, please explain:

| | | |
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| 3. Does your organization agree that the end-state of these scheduled increases should be the same dollar amounts as for non-same-day ACH payments? | <input checked="" type="checkbox"/> | Yes |
| | <input type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |

If No, what do you think the end-state should be?

ICBA supports striving towards an eventual end-state where all ACH transactions have the same dollar limits, but ICBA members urge Nacha to consider providing more time to attain such an end-state. Moving too quickly may result in negative impacts to small RDFIs that lack the resources of their larger, more well-funded peers and competitors. Nacha should assess the impacts of increasing the limit to \$1 million and seek more feedback from industry participants before it commits to a timetable for further increases.

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| 4. Does your organization support the proposed <u>levels</u> of the increases to the dollar limit? <i>(Answer about the proposed effective dates separately in Question 4)</i> | <input type="checkbox"/> | Yes |
| | <input checked="" type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |

If No, please explain:

ICBA members support increasing the existing same-day ACH limit from \$100,000 to \$1 million; however, further increases should phase in over a longer period to allow for all participants—especially smaller community banks—to have sufficient time to implement technological or procedural changes to manage various operational risks. ICBA encourages Nacha to assess the impact of raising the limit to \$1 million and then seek more feedback from the industry on the next steps.

¹ Other dollar limits for ARC, BOC, POP, RCK and XCK entries would still apply.

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| 5. Does your organization support the proposed <u>schedule</u> of the increases to the dollar limit (i.e., the effective dates)? <i>(Answer about the proposed levels separately in Question 3)</i> | <input type="checkbox"/> | Yes |
| | <input checked="" type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |

If No, please explain:

ICBA members support Nacha's efforts to modernize the ACH Network and provide additional capabilities for Same Day ACH; however, ICBA members hesitate to support the proposed rapid pace of the timeline to implement an increase from \$100,000 to no limit in approximately three years. A more measured approach would be to allow for an increase to \$1 million and then gradually raise the limit over a longer period. Small community bank RDFIs will face pressures from high-value same day ACH debit transactions that may lead to insufficient funds, particularly late in the day.

| | | |
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| 6. Do you agree Nacha should have the ability to pause the schedule, if necessary, without an additional rule change? | <input checked="" type="checkbox"/> | Yes |
| | <input type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |

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| 7. Are there new Same Day ACH uses created by increasing the dollar limit? | <input checked="" type="checkbox"/> | Yes |
| | <input type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |

If Yes, please explain:

ICBA members believe increasing the Same Day ACH Dollar limits will permit many more use cases to come to fruition. In particular, larger B2B payments will become eligible for same day settlement, thereby making the enhancement more attractive to business users and the banks that provide services for such a clientele. Other use cases that may benefit from a higher dollar limit also include the distribution of commercial loans and debits associated with larger payroll files. Some customers, especially businesses, may wish to use Same Day ACH instead of wires for faster payments to trading partners.

| | | |
|---|-------------------------------------|------------------------|
| 8. As an Originator, Third-Party, or ODFI, would a higher dollar limit affect your usage of Same Day ACH? | <input type="checkbox"/> | Significantly increase |
| | <input checked="" type="checkbox"/> | Increase |
| | <input type="checkbox"/> | No change |
| | <input type="checkbox"/> | Don't know |
| | <input type="checkbox"/> | NA |

Please explain:

ICBA represents a diverse membership of community banks. Although many ODFIs may offer Same Day ACH for select use cases or customers, the proposed higher limits will likely only be utilized by a smaller subset of ODFIs and their large business customers. Therefore, while ICBA cannot quantify how many banks will increase their use of Same Day ACH or offer the service to more customers, the proposed increases will more likely than not result in at least some portion of community banks choosing to expand their Same Day ACH product offerings.

| | | |
|---|-------------------------------------|------------|
| 9. Are there new risks created by increasing the limit? | <input checked="" type="checkbox"/> | Yes |
| | <input type="checkbox"/> | No |
| | <input type="checkbox"/> | Don't know |

If Yes, please explain:

The proposed increases for the Same Day ACH transaction dollar limit do not create **new risks** so much as they may enhance concerns for some **existing risks**. Fraud, exposure limits, and managing liquidity are already issues that banks must manage today; if the proposals are adopted, the increased limits will require banks to place an even greater emphasis on the need for processes and procedures to manage risk.

For example, if more businesses originate significantly higher Same Day ACH transactions, there is a risk that a small community bank may receive several same-day debits that could quickly diminish their settlement account and risk a daylight overdraft; Small community bank RDFIs that receive large same-day ACH debits late in the day can be unexpectedly placed into a risky position that jeopardizes their liquidity. These concerns can be mitigated through a deliberate roll-out of incremental increases that permits banks more time to train staff, implement new systems, or develop new procedures. It will be necessary for RDFIs to ensure they have adequate monitoring in place before the rule takes effect to ensure that their settlement accounts are properly funded.

Other concerns, such as changes to underwriting or transaction monitoring, may

necessitate not only new procedures but also new staff. If the schedule of increases is adopted as proposed, community banks will quickly have to make significant operational changes even though most of the increased usage will likely come from large national banks.

There are also apprehensions about bad actors taking advantage of higher Same Day ACH thresholds to push out fraudulent credits. If the proposal is adopted, ODFIs must take steps to reinforce processes and procedures to discourage fraud, such as clearly defined and enforced dollar limits for their customers and robust authentication and authorization systems.

10. Anticipated Impacts:

On a scale of 1-5 (with “1” representing no impact, and “5” indicating extensive impact), please indicate the estimated impact of the proposed changes to your organization in various areas:

| | 1 = No impact | 2 = Minimal impact | 3 = Moderate impact | 4 = Large impact | 5 = Extensive impact | Don't know |
|---------------------------------|---------------------|--------------------------|---------------------------|------------------------|----------------------------|---------------|
| ACH Operations | | | X | | | |
| Systems and technology | | | X | | | |
| Risk management | | | X | | | |
| Cash / settlement management | | | X | | | |
| Other (Please identify): | | | | | | |

Please provide any comments, especially if impacts are Large or Extensive:

11. Please provide any other comments on this proposal:

SECTION 2 - RESPONDENT INFORMATION
All Respondents

| | | | |
|--------------|--|--------|--------------------------|
| Name | Brian Laverdure, AAP | | |
| Title | Vice President, Payments and Technology Policy | | |
| Organization | Independent Community Bankers of America | | |
| City, State | Washington, D.C. | | |
| Phone: | | Email: | brian.laverdure@icba.org |

| | | | |
|---|----------------------|--------------------------|------------------------------|
| Please indicate your organization's role(s) in the ACH Network: | | | |
| <input type="checkbox"/> | ODFI | <input type="checkbox"/> | Payments Association |
| <input type="checkbox"/> | RDFI | <input type="checkbox"/> | Nacha Direct FI Member |
| <input type="checkbox"/> | ACH Operator | <input type="checkbox"/> | Government |
| <input type="checkbox"/> | Non-FI end-user | <input type="checkbox"/> | Third Party Service Provider |
| <input checked="" type="checkbox"/> | Industry association | <input type="checkbox"/> | Software/Technology provider |
| <input type="checkbox"/> | Other: | | |

| | | | |
|--|------------------------------------|--------------------------|---|
| What areas of your organization provided input for the responses to this survey? | | | |
| <input type="checkbox"/> | Operations | <input type="checkbox"/> | Retail/online banking |
| <input type="checkbox"/> | Product management | <input type="checkbox"/> | Customer service |
| <input type="checkbox"/> | Legal | <input type="checkbox"/> | Compliance |
| <input type="checkbox"/> | Information Technology/software | <input type="checkbox"/> | Wholesale/corporate banking/treasury mgt |
| <input checked="" type="checkbox"/> | Executive/strategy | <input type="checkbox"/> | |
| <input type="checkbox"/> | Other: | | |

Financial Institution Respondents

| | | |
|------------|--------------------------|------------------------------|
| Asset Size | <input type="checkbox"/> | less than \$500 million |
| | <input type="checkbox"/> | \$500 million - \$5 billion |
| | <input type="checkbox"/> | \$5 billion - \$25 billion |
| | <input type="checkbox"/> | \$25 billion - \$100 billion |
| | <input type="checkbox"/> | Greater than \$100 billion |