

December 13, 2024

Ms. Jane Larimer  
President and Chief Executive Officer  
Nacha  
11951 Freedom Drive, Suite 1001  
Reston, Virginia 20190

Re: Response to Nacha's Request for Comment/Request for Information -Same Day and  
Faster ACH

Dear Jane:

The Federal Reserve Banks<sup>1</sup> ("FRB"), acting through Federal Reserve Financial Services<sup>2</sup> ("FRFS"), as a payment system operator, are pleased to respond to the portions of Nacha's Request for Comment ("RFC") and Request for Information ("RFI") on Same Day ACH and faster ACH topics that are pertinent to our role as ACH Operator.

#### I. Request for Comment on Fourth Same Day ACH Window Proposal

Nacha's first RFC requests comment on the addition of a fourth Same Day ACH processing window on Monday through Friday aligned with the close of the business day in the Pacific Time Zone. A fourth Same Day ACH window could conceivably be technically and operationally feasible for FRFS to implement, though FRFS believes the benefits are uncertain given the broad coverage of the existing Same Day ACH windows and increasing adoption of instant payment services. Moreover, FRFS has concerns regarding industry costs and risks posed by the proposal, as discussed below.

In addition, given the nature of our concerns, FRFS believes the Board of Governors of the Federal Reserve System may need to analyze whether these changes will have significant longer-run effects on the nation's payments systems such that public comment by the Board of Governors is warranted.

1. **Settlement Risk:** Nacha proposes that receiving depository financial institutions (RDFIs) be required to make funds for Same Day ACH credit items received during the fourth Same Day ACH processing window on a Friday available to receivers by the end of their respective Friday processing days, even though the RDFIs would not receive settlement for those ACH credit items until 10:00 pm ET on Sunday, at earliest. Delaying settlement for multiple days

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<sup>1</sup> As an ACH Operator, the Reserve Banks act as a central facility for the clearing, delivery, and settlement of ACH entries between and among participating depository financial institutions. The Reserve Banks process items according to their Operating Circular 4 and applicable Nacha Operating Rules.

<sup>2</sup> FRFS is the enterprise model by which the Reserve Banks offer a suite of products and services to facilitate the day-to-day payment operations of financial institutions nationwide.

poses settlement risk to RDFIs, which in turn may pose credit and liquidity risk. Such delayed settlement increases the risk that an originating depository financial institution (ODFI) will not have sufficient funds available in its settlement account at the time of settlement due to the ODFI's payment activities between the processing and settlement of its ACH credit items or that it suspends payments or is closed before the time of settlement.

2. **Competing Priorities:** The financial services eco-system is in the midst of dramatic change, and the result is rising pressure on financial institutions and the firms who support them to continue investing in new capabilities, such as instant payments, resilience, format modernization, and tools to detect and mitigate fraudulent transactions. At a time when financial institutions are expected to manage these efforts and combat rising fraud in new ways, adding a new Same Day ACH window would create opportunity costs by undermining efforts that would create other potential benefits. In addition, FRFS will have limited capacity to implement the changes that would be required by a new Same Day ACH window in the next years given other competing priorities.
3. **Alternatives Exist:** FRFS agrees that there is a need to facilitate payments that require speed, certainty, and finality, and to enable these types of payments at any hour of the day, any day of the year. It is for that reason that payment system operators have invested to bring to market instant payment solutions, and that financial institutions and the technology firms who support them have invested to support and implement these solutions. While these networks do not currently reach every financial institution in the US, they are growing quickly. FRFS believes that the adoption of instant payment systems provides a better alternative to a fourth Same Day ACH window and as a result renders the benefit of a fourth Same Day ACH Window less certain.
4. **Positioning of the ACH Network:** FRFS believes that the ACH network will continue to provide a means for safe, efficient, and cost-effective transactions that do not require settlement within seconds. The Federal Reserve continues to invest in its ACH platform, having recently completed a major application modernization, along with large-scale investments in data center capabilities, resilience, and security.
5. **Ambiguity Regarding Funds Availability:** As a technical matter, the proposed rule creates ambiguity about the timing of funds availability. The modified rule would require availability based on the applicable settlement date for the four processing windows, and the settlement for the fourth Friday would occur on the Reserve Banks' Monday business day. We believe Nacha intends for funds to be available Friday evening.

## II. **Request for Information on Faster ACH Elimination of 2-Day Commercial ACH Credits**

Nacha requests information on whether it should request comment on the potential elimination of 2-day commercial ACH credit items. In addition to the direct impact that the elimination of 2-day commercial ACH credit items would have on financial institutions and others that rely on ACH payments, this change would impact FRFS indirectly as an ACH operator. FRFS believes that Nacha should carefully study the impact that the elimination of 2-day commercial ACH credit

items would have on such a large volume of transactions, should this topic become an RFC, including by considering the following:

1. **Industry Education:** All parties with an interest in the proper functioning of the ACH network—including ODFIs, RDFIs, Third Party Processors, Originators, Receivers, and regulators—must be properly educated on the elimination of 2-day commercial ACH credit items so that they can plan accordingly for the potential impacts of the change. As Nacha noted, the change would require originators that currently use 2-day commercial ACH credits, such as payroll processors, to adjust their processing schedules and would afford them less time to correct errors using reversals.
2. **Example of Sequencing Concerns:** Per industry practice, credit items are often posted and made available on Wednesday for payroll due Friday. If 2-day commercial ACH credit items are eliminated, senders may delay initiating ACH credit items until Thursday and their receivers may believe the payroll payment is late or experience downstream issues. If recurring bill payments debit their account on Wednesday based on the historical 2-day credit item posting times, these outgoing bill payments would post before credit items for payroll post on Thursday.
3. **Volume of Existing 2-Day Commercial ACH Items:** According to Nacha's RFI, 80% of ACH commercial credits are one day or same day; however, 20% of ACH commercial credit items settling as 2-day items is a significant amount of activity that would need to be converted to one day or same day items. As an example, about 1.7 billion of the 8.3 billion commercial direct deposits in 2023 would be impacted by the elimination of 2-day commercial ACH credit items.

As an operator for ACH, FRFS looks forward to continued partnership with NACHA and the ACH network as we diligently ensure our payments infrastructure is contemporary, agile, resilient and secure.

Respectfully,

*Shonda Clay*

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