

Same Day ACH



Same Day ACH - Will This Be The Next Big Disruptor?



When Money Moves Fast, More Business Gets Done!

In today's world, businesses need a comprehensive strategy to ensure timely and efficient payments; points are earned for keeping payments moving seamlessly and without any hindrance. On May 19, 2015, the Electronic Payments Association (EPA) gave the green light on same day ACH, which will increase the movement of funds between financial institutions from once a day to three times per day(1). This is an initiative proposed by the National Automated Clearing House Association (NACHA) and

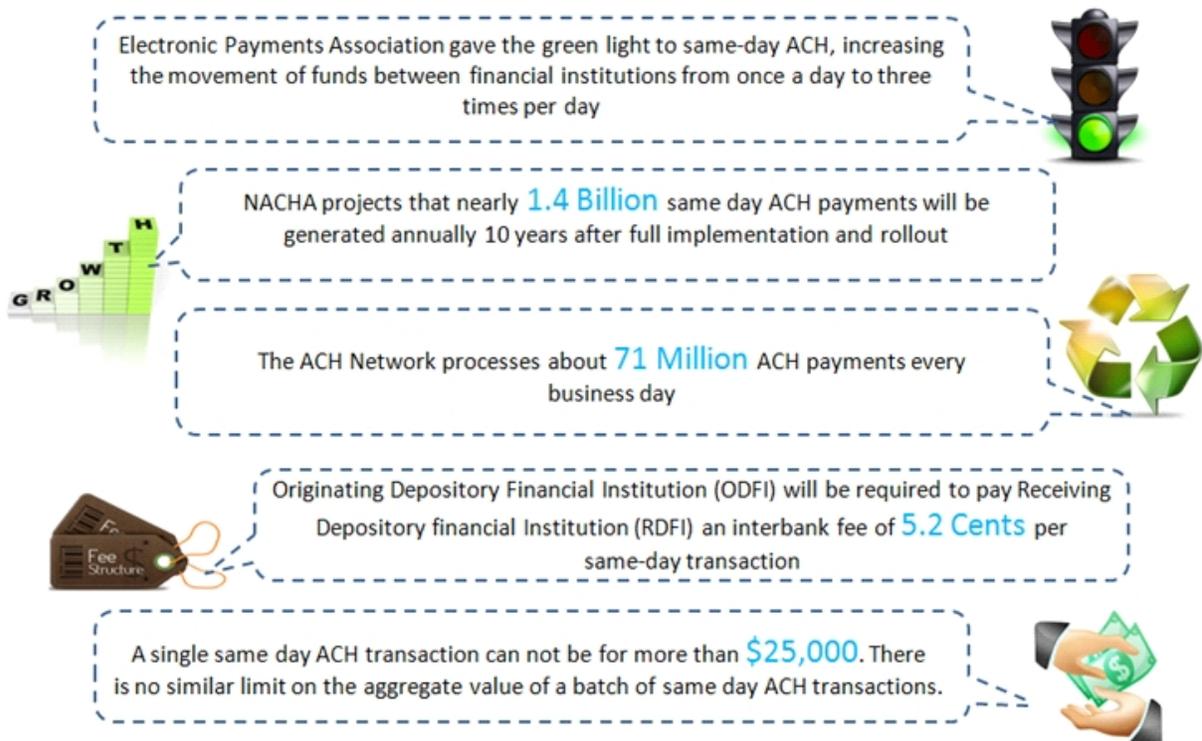
approved by the Federal Reserve Board to entice customers, build relationships and keep banking systems at the helm of payments. The industry foresees a tremendous growth in the number of transactions during the next decade due to this rule change which is expected to heighten the possibility of fraud. Quattro Processing Services, which is a pioneer in fraud prevention services for mitigating cross channel fraud, presents this whitepaper to outline the same day ACH rule implementation schedule, mechanism, impact on industry, rise of fraud and the most appropriate ways to deal with the challenges.

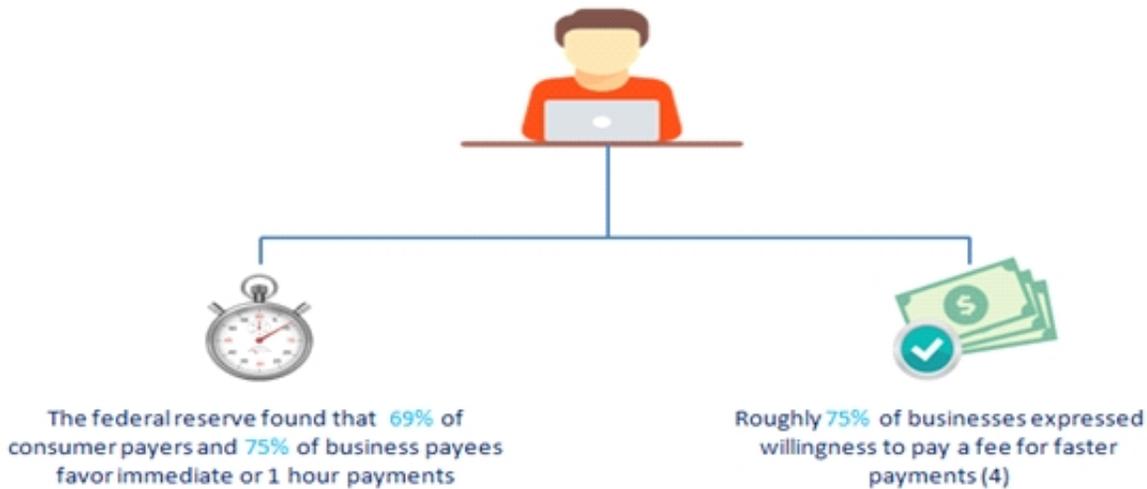
Same Day ACH Rolling Out In 3 Phases In 2016, 2017 and 2018

Phase I	• Effective on September 23, 2016
Phase II	• Effective on September 15, 2017
Phase III	• Effective on March 16, 2018

Functionality	Phase 1 Sept. 2016	Phase 2 Sept. 2017	Phase 3 March 2018
Transaction eligibility	Credits Only	Credits and Debits	Credits and Debits
New File Transmission Times	10:30 am ET 3:00 pm ET	10:30 am ET 3:00 pm ET	10:30 am ET 3:00 pm ET
New Settlement Times	1:00 pm ET 5:00 pm ET	1:00 pm ET 5:00 pm ET	1:00 pm ET 5:00 pm ET
ACH Credit Funds Availability	End of RDFI processing day	End of RDFI processing day	5:00 pm RDFI local time

NICE Actimize survey report, May 2016, indicates over 90% of banks believe that same day ACH will lead to a Rise in Fraud and 70% Are Using Manual Review





Need For Speed

ACH has always been a highly reliable and strong means for collecting payments because of its cost-effectiveness and ubiquity. But sometimes this go-to option becomes less consistent and certain. Historically, ACH has lacked the necessary speed to make this happen. This is when speed becomes critical. Until recently ACH (Automated Clearing House) payments are settled on the next business day. A rule change proposed by NACHA (The Electronic Payments Association) has enabled ACH originators to send same day ACH transactions to accounts at any Receiving Depository Financial Institution (RDFI). All RDFIs to receive same-day transactions and provide faster same day funds availability to its customers. It will build upon the existing, next day ACH network platform and establish a new option for same day clearing and settlement via ACH. The value created for end users will extend the ability of consumers and businesses to quickly pay bills and receive funds faster.

Benefits of Same Day Payments

- Faster settlements of invoices
- Faster money movement
- Payroll – faster access to pay
- Quicker person-to-person payments

- Enabling consumers to make more on-time bill payments.

The Mechanics of Same Day Payments

When the first phase of the NACHA rule will be implemented on September 23, 2016, every U.S. financial institution is expected to be well prepared to process incoming same day ACH credits.(5) With the implementation of the second and third phases of the rule in 2017 and 2018 respectively, all RDFIs are expected to be ready to process both credits and debits by 5 P.M. local time. Since every RDFI is required to participate in the system, originating organization has the leverage to guarantee funds that will be made available for the payee on the day of transaction.

Cost of Same Day ACH

The new rule comes with a “Same Day Entry Fee (5.2cents)” that will apply to each same day ACH transaction to enable RDFIs to recover all or a part of their costs for enabling and supporting same day ACH. Therefore, bank customers can have it on the same day if they are willing to pay the fee. The transition to same-day ACH payments will cost the industry approximately \$118 Million in technology upgrades and \$49 Million in additional annual operating expenses, predicts NACHA.

Faster ACH Payment >> Increased Fraud Risk

The advent of same day ACH will mean that credit unions and other financial institutions will encounter more fraud, more strain on their budgets and more operational challenges. According to a recent Aite Group report, when

the United Kingdom migrated to faster payments in 2008, UK banks witnessed a steep spike in fraud as fraudsters took advantage of the reduced time frames.⁽⁶⁾ It is expected that fraud attempts will go high and fraud prevention teams will have to work harder than before. This will require more fraud analysts to handle the situation.

What Does Same Day ACH Mean to the Merchants?

Many small and medium businesses as well as large retailers are favoring real-time payments to increase their cash flow management thus providing incremental value to their customers. Acceptance of same day ACH transactions by merchants on e-commerce payments would mean:

- Earlier shipping of goods
- Decrease in the merchant's risk of non-sufficient funds (NSF) returns
- Merchants will utilize Same Day ACH to speed collection of funds and also speed the receipt of returned transactions

However with the same day settlement, merchants will be left with little time to authenticate the transactions which will lead to an increase in the occurrence of chargeback and friendly fraud.

Current Gaps Identified In Operational Changes for Tackling Same Day ACH Fraud

- Improving reporting tools
- Technology Upgrades + Human Intervention
- Increased hours of operation
- Increased staffing for fraud operations
- Increasing staffing for ACH transaction approvals
- Fraud monitoring via rules

- Risk-based authentication
- Fraud monitoring via behavior analytics (back end)

Quatrrro's Comprehensive & Multi-Layer Mechanism for Faster Fraud Free Payments

- Intelligent authentication of transaction by analyzing individual entries & profiles
- Smart technology for batch and single entry
- Six Sigma trained specialists
- Technological adaptability
- Seamless connectivity
- 24/7/365 Days Monitoring especially beneficial during:
 - During weekends
 - After office hours
 - Holidays
- Competence through Compliance Flexi-Staffing Model for customized scalability
- Scalability and flexibility
- Balance false positives
- Correlate suspicious activity with customer behavior across multiple channels
- Trigger additional authentication
- Recommend decisions/ block transactions
- Advanced analytics to generate scores and trends based on vintage profiles of fraud / non-fraud cases

Your Right Partner to Tackle Same Day ACH Fraud



Quattro's state of the art fraud prevention mechanism adapts, strengthens and quickly detects new fraud schemes. Fraud prevention services at Quattro are designed by tightening up the security rules in its payments review tools and processes that are designed to identify suspicious same day ACH payments to prevent fraud.

Quattro's fraud management services for same day ACH transactions provide a robust solution as the ultimate answer for preventing fraud. Same day ACH is going to pose new fraud threats and you must ensure that you are partnered with the right fraud prevention solution provider to tackle increased transaction flow and new fraud challenges.

Quattro's Fraud Prevention Capabilities: Heralding Safer Same Day ACH Era

Quattro with its extensive and varied experience in cross channel fraud prevention offers highly focused, end-to-end same day ACH fraud prevention services. While new methods of faster funds availability such as same day ACH and same-day bill payments create more options for customers, they pose a threat for increased fraud.

Quattro's services aim to safeguard banks with beefed up security by utilizing new processes and solutions to address the threats that will result from same day payment processing. Quattro's round the clock transaction monitoring support for same day ACH transactions can provide a secure way for financial institutions to process ACH payments eliminating any risk of fraud.

Sources:

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