

February 10, 2015

NACHA – The Electronic Payments Association
2550 Wasser Terrace, Suite 400
Herndon, VA 20171

Re: NACHA Request for Comment on Same Day ACH, Moving Payments Faster

Submitted via email

On behalf of the Retail Industry Leaders Association (RILA), I am pleased to submit comments regarding NACHA's Same Day ACH, Moving Payments Faster proposal. RILA members have an interest in payments issues, and in particular ACH transactions, for the transmittal of funds for Consumer-to-Business (C2B) and Business-to-Business (B2B) transactions. RILA also appreciated the opportunity to meet with NACHA staff on January 21, 2015, to learn more about NACHA's Same Day ACH proposal. Retailers support greater competition in the payments market, which in turn helps to keep prices low and return value to our customers. We have long called for faster, cheaper payments and applaud NACHA for moving one step closer towards real-time payments. However, as detailed below, we have reservations about NACHA's proposal, which in its current form, would provide little additional utility or value to the retail industry.

By way of background, RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together are responsible for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Electronic payments are central to how commerce moves today and will only become more

important in the future. Unfortunately, little innovation has occurred over the past few decades with respect to debit and credit cards and other Consumer-to-Business payments. We applaud NACHA for recognizing the value of moving to same day ACH and think it is an important step towards realizing real-time ACH clearance in the future. Retailers are an important constituency in the payments discussion and while we appreciate the opportunity to submit comments to NACHA, retailers should have a seat at the table so that we can fully share our knowledge and experience of how our customers shop today, and how they want to conduct transactions in the future.

RILA's primary concern surrounding NACHA's Same Day ACH proposal is that at a wholesale cost of 8.2 cents per transaction, there are few, if any, business cases where retailers will take advantage of same day ACH. Faster and cheaper payments would bring economy-wide benefits to businesses and consumers, but only if incentives are properly aligned to promote their adoption. An 8.2 cent interbank fee seems to have the opposite effect, instead discouraging retailers from taking advantage of the system and thereby depressing the utility of same day clearance.

This stands in sharp contrast with next day ACH transactions, which have enjoyed wide-spread adoption by retailers and other industries and which essentially clear "at-par." Wholesale costs for next day ACH transfers today cost roughly $\frac{1}{4}$ of a penny, for a total retail price of a few pennies per transaction. At 8.2 cents per transaction (at the wholesale price) there would be very few use cases for a merchant to justify same day ACH clearance for point of sale transactions.

RILA also has concerns about how the 8.2 cent interbank fee was determined and the inclusion of "opportunity costs" in calculating the rate. While NACHA has explained that an economic consulting firm was commissioned to calculate the operating costs, opportunity costs and implementation costs, which together comprise the 8.2 cent interbank fee, NACHA's proposal lacks details and falls short on providing transparency into how each of these numbers were calculated. For example, is decreased card fee revenue captured in NACHA's calculation of opportunity costs?

RILA is pleased that there is a mechanism outlined in NACHA's Same Day ACH proposal to review the interbank fee five years, eight years and ten years out from full implementation. Furthermore, it is reassuring that the interbank fee could not be increased and would only adjust downward. NACHA's proposal states that if actual volume exceeds projected volume by more than 25 percent, then the interbank fee would be revised downward. In the fiercely competitive retail market, we believe that lowering prices helps to stimulate sales. Therefore, RILA would seek clarification from NACHA if it would consider, and under what circumstances, lowering the interbank fee if actual volume usage falls short of projected volume.

Finally, RILA believes that same day ACH clearance could provide some utility to the retail industry outside of the point-of-sale environment, however, the use cases for moving from next day ACH clearance to same day ACH clearance are negated when the maximum value of such transactions are capped at \$25,000. For example, the \$25,000 per transaction cap would limit the utility of same day ACH transactions for Business-to-Business transactions, such as paying vendors, and for same day payroll, since payroll is usually outsourced to a payroll vendor and the funds transferred to the payroll processor would surely exceed the cap.

To summarize, same day ACH transactions are a step in the right direction towards real-time payments, and it is important that NACHA helps move the industry forward in this respect. However, RILA remains deeply concerned about the 8.2 cent interbank fee (at a wholesale price) serving as an enormous barrier to its usage by the retail industry, and it is all but certain that same day ACH will not be cost effective for point-of-sale transactions, or even a viable option to pay vendors or make payroll payments. RILA hopes that NACHA will see merit in revising downward the 8.2 cent interbank fee *before* implementation so that the pricing structure is one that incentivizes wide adoption by industries, rather than discourages usage. In order for same day ACH settlement to be successful it will have to be used broadly by varying industries; the fee structure as proposed may have the opposite effect by discouraging a move towards faster and cheaper payments and perpetuating the existing next day ACH settlement process, which appears to provide better value in the tradeoff between speed and costs.

In closing, RILA appreciates the opportunity to submit comments regarding NACHA's Same Day ACH proposal. If you have any questions about any of this, please feel free to reach out to me by email at andrew.szente@rila.org or by phone at (703) 600-2033.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Szente". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Andrew Szente

Vice President, Government Affairs