



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

POLICY
Effective Date of ACH Origination Files
September 21, 2016

Purpose: To specify the proper effective date to be inserted in all ACH origination files containing electronic payments that are transmitted by a State entity to the originating bank, in order to comply with the NACHA Operating Rules.

Background:

The specification is necessary due to a new functionality implemented by the banking industry beginning September 23, 2016. Failure to insert the proper effective date of payment could result in employees and vendors not being paid timely, as well as resulting in excessive fees accruing to the State for each payment transaction contained in the ACH origination file.

This policy applies to both payroll and vendor payments, as well as to ACH debit origination files. It also applies to ACH origination files prepared and transmitted by a third party on behalf of a State entity.

NACHA Same Day Functionality:

Beginning September 23, 2016, financial institutions will be able to settle funds to a receiver's (payee's) bank account on the same day the ACH file is transmitted to the originating depository financial institution (ODFI). The fee for such same day payment is abnormally higher (as much as 10 times higher) than the fee for a payment that settles one or more days after the transmission date.

Prior to the effective date of the same day ACH functionality, the date an entity inserted in their ACH file did not have a material effect on the date funds were posted to a payee's bank account. As a result of the new functionality, the date inserted by an entity will not only affect the date the funds are posted to a payee's bank account, but will also affect the fees accruing to the State Treasurer. Using the same "effective entry date" as the date the file is transmitted could result in the payee receiving funds sooner than intended. The practice could also result in the State Treasurer's bank account being over drawn, as funds are not typically placed in the account until the intended payment date.

General Policy: All State entities preparing and transmitting ACH origination files to originating depository financial institutions (ODFIs) must adhere to all NACHA Operating Rules, including inserting the proper "effective entry date" in all batch header records, according to published NACHA File Format Specifications. The "effective entry date" should always be the intended payment date, and must always be at least one business day after the transmission date. If the transmission date is on a bank holiday or on a weekend day refer to the ODFI's transmission guidelines.

Failure to comply with this policy could result in suspension of the entity's ability to originate ACH payment files and may result in assessment of the additional bank fees to the State entity.

Approval of Policy Implementation


Curtis M. Loftis, Jr. South Carolina State Treasurer