



Flying Bikes And Flying Around Same-Day ACH

by [Steve Brown](#)

A Hungarian team of engineers has been working on a new way to fly the friendly skies. Their invention is called the Flike tricopter, a flying bicycle designed to allow a person or equivalent weight of roughly 220 pounds to reach airspeed of up to 62 mph. Back in May, the Flike got liftoff for about 1.5 minutes--an impressive display you can view for yourself on YouTube. The Flike, which is powered by lithium polymer batteries, offers 15 to 20 minutes of hover flight or 30 to 40 minutes of cruise flight. The contraption is expected to make its market debut in 2016 at a cost of around \$200k--comparable to a sports car. In most countries, an ultra-light pilot's license will allow a flight enthusiast to take the Flike for a spin.

Today, Automated Clearing House (ACH) payments settle the next business day; but speaking of flying, the reality of same-day ACH service is fast approaching. Soon, community banks will be able to use ACH to allow customers to settle payroll, make person-to-person payments, pay bills and make credit card payments, for example. By speeding up the payments system, more will flow through the banking industry, which is good for all banks and in particular for community banks.

In today's connected and technology-enabled world, there's no doubt that consumers are demanding speedier and more efficient payments. By increasing the speed of payments, banks have the opportunity to innovate and offer new payment products and services to consumers and businesses alike.

Here are a few basics you need to know about implementation, which will occur in 3 phases over 2.5Ys. Phase 1 starts on Sep 23, 2016, when all depository financial institutions must be ready to receive same-day ACH credit transactions.

In Phase 2 (Sep 15, 2017), same-day ACH debits will be added, allowing for a variety of consumer bill payment use cases like utility, mortgage, loan and credit card payments.

In Phase 3 (Mar 16, 2018), same-day ACH credit transactions must be available to customers by 5:00pm local time of the receiving depository financial institution. Only international transactions and high-value transactions above \$25k will not be eligible for same-day ACH.

Even though the first phase doesn't begin until Sep of this year, community banks should be thinking about a strategy to handle faster payment processing. While there's plenty of opportunity, there will be challenges as well.

For instance, some fees will increase, cut-off times will be mandated and training will be needed for staff. Banks that want to be more of a competitive force in payments will also need to evaluate staffing needs and place an even greater emphasis on risk mitigation. Here's why.

Today, the ACH network moves 23B electronic payments and more than \$40T is transferred each year.

That is a lot of flow, so when things switch to same day, banks will see risk levels increase as well. Consider that banks are potentially going to have to sift through thousands of additional transactions per day, which will be hard to do with existing manpower. Then there's also the added risk of fraud that naturally follows a surge in volume--only made worse by the fast nature of the review process. This means that banks will have to expand their fraud review teams and technology, strengthen controls and increase audits to be sure checks and balances are in place.

This should not deter your bank, however, from playing. This change to same-day ACH is coming quickly, so you will need to figure it out sooner or later and fear should not be in the equation. Just ask the Flike inventors who continue to spread their wings as they pedal off into the great unknown. Have fun along the way!

BANK NEWS

Rate Hikes

JPMorgan has moved its expectation for the next FOMC rate hike from Mar to Jun given global events, ongoing strength in the dollar and deterioration in inflation measures.

GDP Projections

JPMorgan has cut its Q4 GDP projection from 1.0% to 0.1%, following weaker-than-expected Dec retail sales and an expectation for lower business inventories.

M&A Activity

1) The Bank of New York Mellon (\$394B, NY) will acquire wealth manager Atherton Lane Advisors (CA) for an undisclosed sum. Atherton has \$2.7B in assets under management and 700 high net worth clients. 2) Aquesta Bank (\$271mm, NC) will acquire the Alex Squires' Insurance Portfolio from the James E Moore Agency (NC) for an undisclosed sum. 3) The Home Savings and Loan Company of Youngstown (\$2.0B, OH) will acquire James & Sons Insurance for an undisclosed sum. James provides a variety of insurance products for business and residential customers, including auto, homeowners, life-health, commercial, surety bonds, aviation and more. 4) Nicolet National Bank (\$1.2B, WI) will acquire wealth management company Navigator Planning Group (WI) for an undisclosed sum. Navigator provides investment management, retirement planning and insurance services.

Exam Cycle

Regulators have extended the on-site exam cycle for banks with less than \$1B in assets from 12 months to 18 months. This change was allowed under a rider attached to the highway funding bill that was recently signed into law.

Bank Sale

Reuters reports French bank BNP Paribas is preparing to IPO its US bank First Hawaiian Bank (\$18.5B, HI), as it seeks to capture between \$4B and \$5B.

Regulatory Changes

The FDIC issued a revised proposal for assessing deposit insurance premiums, eliminating the assessment penalty for funding with reciprocal deposits or FHLB advances for banks <\$10B in assets. Meanwhile, funding with brokered deposits >10% of assets would see a higher assessment charge.

Biz Travel

Travel and expense management company Certify reports that for the first time ever more business travelers used Uber (41%), than rented cars (39%) or took taxis (20%) in 2015.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.