



2007 NACHA Rules Changes

Two amendments went into effect January 1, 2007, to the NACHA Operating Rules. The first amendment establishes a framework of fees to support the administration of the ACH Network. Each participating depository financial institution (DFI) will be charged an annual fee. In addition, each participating DFI will be charged a per-entry fee for each commercial, inter-bank, or Federal Government entry transmitted or received by the institution, including those ACH entries not processed through an ACH Operator but are exchanged with another non-affiliated participating DFI.

The second amendment, also effective January 1, 2007, changes the way amendments are made to the Rules. Changes to voting procedures include that an amendment to the Rules may be made by a ballot vote (without a meeting) if either 1) at least 2/3 of the voting power cast on the amendment by the members entitled to vote approve the amendment or 2) at least 3/4 of the members entitled to vote on such matters vote to approve the amendment. Members entitled to vote include direct financial institution members and payment association members. However, an amendment that is approved by the membership in accordance with these requirements will not be made if 2/3 of either the payment association members or direct financial institution members votes against the amendment.

A new Standard Entry Class (SEC) code was established by an amendment that went into effect on March 16, 2007. The new SEC code is BOC, for Back Office Conversion entries. A BOC entry is a check that is accepted at either the point of purchase (retailer) or at a

manned bill payment location and then converted to an ACH debit during back office processing. Some of the associated changes with the new BOC entry are summarized below. For more information, see the 2007 edition of the NACHA Operating Rules.

The Originator must provide notice to the Receiver prior to the receipt of each check to be used as the source document. The notice must let the Receiver know the information on the check will be used to either process a one-time electronic funds transfer from their account or process the payment as a check transaction. The notice must be posted conspicuously and given to the Receiver at the time of the transaction. The Receiver has the option of opting out of converting the check to an ACH debit entry.

Originators will be required to keep a reproducible, legible, image, microfilm, or copy of the front of the Receiver's check for 2 years from the settlement date. The originating DFI will be obligated to send a copy of the source document to the receiving DFI within 10 days of written request from the receiving DFI, if the request is received within two years of the settlement date.

Most BOC entries will need to be returned so the ODFI receives the entry by the opening of the second business day following the settlement date. These entries can also be returned within 60 days for the following reasons: 1) notice was not provided by the Originator, 2) the source document was improper, 3) the source document was presented for payment, and 4) the amount of the BOC entry was not accurately obtained from the source document. A Written Statement Under Penalty of Perjury (WSUPP) will need

to be obtained if the entry is returned for any of these reasons, so financial institutions will want to update their WSUPP forms for BOC entries. Return Reason Code R10 will be used for the following reasons: (1) the Originator has not been authorized to debit his account, or (2) the source document for the debit entry is improper. Return Reason Code R37, Source Document Presented for Payment, will be used for situations in which the source document (the check) was presented for payment in addition to the ACH debit (double posting).

Stop payments will be allowed for BOC entries. The stop payment must be made within a reasonable time frame and manner to allow the receiving DFI to act upon the stop payment. BOC entries on which a stop payment was placed must be returned within two days of the settlement date using the return reason code R08. If the stop payment is placed on the check processing system rather than the ACH processing system, then the entry may be returned within 60 days of the settlement date using return reason code R38-stop payment on source document.

Credit unions will be required to provide the check serial number on the member's periodic statement, the same as is required now of ARC, POP, RCK, and XCK entries, and should ensure their data processor has made the appropriate updates to capture this information for these types of ACH entries. ♦

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