



NACHA Operating Rule Amendments – Frequently Asked Questions For Businesses

1. What are the benefits of the amendments to the NACHA Operating Rules for businesses?

The first phase of the new amendment is designed to address the common problem of incorrect check conversions by providing retailers and billers simple guidelines for identifying business checks that are ineligible for conversion to electronic transactions. This will reduce the number of incorrect conversions, resulting in fewer incorrect bank statements for businesses and less time spent correcting errors. In addition, the amendment will provide businesses methods to opt out of check conversion, whereas existing rules provide opt-out methods only for consumers.

The second phase gives businesses an additional option—beyond point-of-purchase (POP) and accounts receivable conversion (ARC)—when choosing how to convert checks and how their own checks are converted.

2. What changes can I expect when these rules are implemented?

While there is no fundamental change in existing experiences at the register, businesses may notice a difference on financial statements. Checks converted to electronic transactions through back-office conversion (BOC) will appear as brief descriptions of an electronic transaction, including check serial number, the transaction date and amount, and the payee or business that received the check. In addition, the first phase of the amendment establishes clear guidelines for business check conversion. Businesses can expect to see a reduction in the number of incorrect conversions on financial statements.

3. Are businesses required to tell me they plan to convert my checks in the back office?

Yes, retailers and financial institutions that intend to utilize BOC to convert paper checks to electronic transactions must alert customers. They must post a sign and provide in-store written notice, alerting them of the intent to convert paper checks to electronic transactions. Retailers must also establish a customer service phone number to address consumer questions and concerns. This phone number must be a working number, operated and answered during normal business hours.

4. Will BOC affect the amount of the time it takes for a payment to go through and appear on my financial statement?

While BOC does not directly impact the amount of time it takes for a check to be deposited and appear on financial statements, it is possible that funds will be withdrawn more quickly. Due to existing check conversion methods, checks are almost always delivered overnight to the paying bank and debited from the check writer's account the next business day. Check processing speeds should continue to increase as banks make further operational changes in the future. To avoid overdraft charges and other penalties, sufficient account funds are necessary to cover the check.

5. Is BOC a secure method of check processing?

Like other electronic check processing methods, BOC utilizes technology that has been specifically developed and thoroughly tested to process account information securely and privately. Operating rules, business practices and other guidelines are developed by NACHA, the leading payments organization in the nation. NACHA is committed to efficient, reliable and secure payments systems. For additional information on the security of electronic check processing and NACHA guidelines, visit www.nacha.org.



6. Are all business checks now eligible for conversion?

No. The first phase of the amendment establishes guidelines to identify checks that are eligible for conversion, including:

- Checks that contain an auxiliary on-us field in the magnetic ink character-recognition (MICR) line are ineligible for conversion. Such checks are typically used by corporate treasury, purchasing and accounts payable departments, and can be readily identified because they are nine inches long, compared to the standard six inches for consumer checks. Businesses that wish to opt out of check conversion can use check stock that contains this distinguishing feature.
- Checks valued at more than \$25,000 are ineligible for conversion. In practice, the vast majority of all such checks are business checks, and the dollar limit will ensure that checks sent to wholesale lockboxes are not converted.

7. What if I don't want my checks converted to electronic payments?

To avoid conversion, businesses that use personal size checks can change to a business size document and maintain their existing account reconciliation practices. Businesses can contact their financial institution for additional information about products that provide opt-out methods. Businesses can also contact their billers (e.g. their utility company, commercial loan) that leverage conversion during accounts receivable, to communicate their preferences to opt-out of conversion.