

Right to Request a Copy of Authorization

This rule amendment clarified that an RDFI may request a copy of an authorization both before AND after receiving an ACH entry, by removing the phrase "Prior to acting as an RDFI for a Receiver" from Article Four, Subsection 4.1.1 (Right to Information Regarding Entries). Prior to the amendment, Article Four, Subsection 4.1.1 stated that "Prior to acting as an RDFI for a Receiver, the RDFI may request, in writing, that an ODFI provide a copy of the Receiver's authorization * * *" NACHA's intent was that under this section, in addition to requesting a copy of an authorization after an RDFI has received an ACH entry, an RDFI may also request a copy of an authorization prior to receiving the first ACH entry. NACHA has reworded the section because some ODFIs misinterpreted it, believing that an RDFI is only permitted to request a copy of an authorization prior to receiving an ACH entry.

Time Frame to Produce Copy of Authorization

NACHA has amended the ACH rules to require that the ODFI provide a copy of an authorization within 10 banking days of receiving a written request for the copy from the RDFI. Prior to the amendment, the ACH Rules did not define a specific time frame for an ODFI to provide a copy of an authorization to the RDFI.

Copy of Authorization to RDFI Without Charge

NACHA has amended the ACH Rules to clarify that an ODFI may not charge the RDFI for providing either the original or a copy of an authorization. Prior to this amendment, the ACH Rules did not explicitly state that the ODFI must provide either the original or a copy of an authorization to the RDFI without charge.

Single-Entry Transactions

This rule amendment modified the ACH Rules to define POP and RCK entries as Single-Entry transactions. Prior to the amendment, the ACH Rules defined specific one-time debits (*i.e.*, ARC entries, TEL entries, and certain WEB entries) as Single-Entry debits. Other one-time debit transactions (*i.e.*, RCK and POP), which were developed prior to use of the defined term "Single Entry," were described as non-recurring debits. This amendment provides consistency among the definitions of similar one-time debit entries.

Check Serial Number Field

This rule amendment modified the Check Serial Number Field of the XCK format to make this a mandatory field, making it consistent with other electronic check applications. The amendment also requires that the information in this field for an XCK entry be included by the RDFI on a consumer's periodic statement. Prior to this amendment, the Check Serial Number Field for XCK was optional, not edited by the ACH Operators, and not required to be included on the consumer's periodic statement.

Automatic Batch Rejection Edit

This rule amendment updated the description of the ACH Operator edit concerning transaction codes for Notifications of Change to reflect all applicable transaction codes. Specifically, the transaction codes 41, 46, 51, and 56 were added for Standard Entry Class Code COR. Prior to the amendment, in Appendix Three, Section 3.5 (Automatic Batch Rejection) of the ACH Rules, the description of the ACH Operator edit for valid transaction codes for Notifications of Change did not list the transaction codes for general ledger or loan entries (series 40 and 50).

RET Standard Entry Class Code

This rule amendment eliminated the RET Standard Entry Class Code because of the low volume of paper return conversion currently performed by the ACH Operators and the low volume of entries processed using this SEC Code. The RET Standard Entry Class Code was used by ACH Operators to convert paper returns into electronic format on behalf of an ACH participant when the original SEC Code was unavailable. The ACH Operators currently require that the original Standard Entry Class Code be provided. As a result, use of the RET Standard Entry Class Code for converted returns became unnecessary.

The foregoing eight amendments to the ACH Rules became effective on March 14, 2003. We believe that these rule changes improve the operational efficiency of the ACH system and improve the clarity and consistency of the rules that govern the system. Therefore, we are incorporating all of these ACH Rule changes into part 210.

6. Audit Requirements

NACHA has updated the rules compliance audit requirements of Appendix Eight of the ACH Rules to include (1) provisions related to new ACH products and applications, and (2) additional provisions designed to strengthen the audit requirements. This

rule amendment became effective on March 14, 2003.

Federal agencies are not subject to the audit requirements of Appendix Eight, 31 CFR 210.2(d)(3). Accordingly, we are not incorporating these changes to the audit requirements into part 210.

7. TEL Reporting

NACHA has amended the ACH Rules to allow NACHA, in cases where the return rate for unauthorized TEL transactions appears to exceed 2.5%, the right to request an ODFI to provide NACHA with specific information relating to Originators of those TEL entries. Under the new rule, ODFIs are obligated to provide the requested information within 10 banking days of receipt of NACHA's written request to the Chief Operating Officer of the financial institution. Failure to provide the requested information in a timely manner will constitute willful disregard of the ACH Rules and will subject ODFIs to applicable fines. This amendment becomes effective on June 13, 2003.

We are not incorporating this ACH Rule change into part 210. We do not believe that Federal agencies are experiencing excessive return rates for unauthorized TEL transactions. Moreover, Federal agencies are subject to various requirements regarding the privacy of information they maintain, including the Privacy Act, which restrict the disclosure of information regarding individuals who enter into TEL transactions.

II. Section-by-Section Analysis

Section 210.2(d)

We are amending the definition of "applicable ACH rules" at § 210.2(d). Current § 210.2(d) defines applicable ACH rules to mean the ACH Rules with an effective date on or before March 15, 2002, as published in Parts II, III, and IV of the "2002 ACH Rules: A Complete Guide to Rules & Regulations Governing the ACH Network," with certain exceptions. We are amending § 210.2(d) to refer to the ACH Rules with an effective date on or before June 13, 2003.

The effect of this amendment to § 210.2(d) is to incorporate in Part 210 the following changes to the ACH Rules:

- Voting on ACH Rule Amendments;
- RCK Eligible Items;
- Change Codes; ARC Stop Payments; ARC Individual Name Field; and
- Unauthorized Corporate Debits; Copies of Authorization; Definitions of POP and RCK Entries, SCK Check Serial Number Field; ACH Operator Edit Criteria; Elimination of RET Code.

We are also adding a new subsection (7) to § 210.2(d), which excludes ACH