

May
2006

NACHA rule allows conversion of some business checks

Effective September 15, some business checks will be eligible for conversion to Automated Clearing House (ACH) transactions, as consumer checks are today.

Because it is sometimes difficult to distinguish between consumer and business checks, business checks are occasionally converted unintentionally, prompting NACHA – The Electronic Payments Association to introduce a rule clarifying which checks meet conversion criteria.

NACHA is responsible for promoting the development of electronic solutions that improve the payments system. Under its new rule, checks utilizing the auxiliary on-us field in the magnetic ink character recognition (MICR) line are not eligible for conversion. The auxiliary on-us field is usually located in the bottom left corner of a check. Checks containing this field are traditionally 9 inches in length, as opposed to the standard 6 inches for consumer checks.

Under the NACHA rule, corporate items of more than \$25,000 will also be ineligible for conversion.

Will my check be converted?

According to a recent Association for Financial Professionals survey, 86 percent of businesses currently use 9-inch check stock containing the auxiliary on-us field, making these checks ineligible for conversion.

LaSalle is one of the country's largest check-clearing banks. Its default check specifications call for the automatic population of the check number in the auxiliary on-us field for controlled and non-controlled disbursements, making these checks ineligible for electronic conversion. Consequently, if your checks use LaSalle's default format, they are not eligible for conversion.

If you have chosen checks that deviate from the default format, they may qualify for conversion beginning September 15. LaSalle suggests reviewing your check stock with either the Bank or your printing company. If you wish to opt out of conversion, you may need to change your check stock and printing specifications.

Another way to opt out of conversion and ensure your item is not converted is to contact your trading partners and ask them not to convert checks mailed to a lockbox or placed in a dropbox.

What about exception items?

Checks are destroyed shortly after being converted into ACH debits. If your checks do not contain the on-us field or are inadvertently converted, LaSalle can help you locate information about them even after they've been destroyed. The Bank is enhancing its ARP full reconciliation services and integrating the positive pay function so that a converted check transaction will be uniquely identified and matched appropriately. These exception items will be available daily for clients to review.

Under the NACHA rule, businesses will have the right to return unauthorized ACH transactions within a 48-hour automated return window and have the same 60-day right of return as consumers.

More information available

If you would like to learn more about the new NACHA business check conversion rule, visit http://www.lasallebank.com/commercial/pdfs/new_nacha_check_ruling.pdf.

The Bank recently conducted a series of interactive webinars in which clients were able to hear speakers, watch a PowerPoint presentation and ask questions in real time about the new rule and its potential impact on their business. To obtain replay information, contact your LaSalle Treasury Management Advisor.