

FEDERAL RESERVE BANK
OF NEW YORK

AT 10776
April 7, 1995

1995 NATIONAL AUTOMATED CLEARING HOUSE RULE CHANGES

To ACH Operations Officers at All Depository
Institutions in the Second Federal Reserve District:

The National Automated Clearing House Association (NACHA) has announced seven rule changes, which will become effective April 14, 1995. A summary of the changes is enclosed..

The Federal Reserve Bank of New York would like to encourage all financial institutions, regardless of volume of ACH activity, to incorporate the changes into their electronic payments operations. Financial institutions that apply the ACH rules to their operations can reduce processing errors, thereby improving the quality and efficiency of the ACH system for themselves, their customers, and other financial institutions.

None of the 1995 rule changes require modifications to this Bank's mainframe ACH software; however, a Fedline software modification is necessary to support the amendment relating to Notification of Change. Because only a small portion of customers will utilize the modification, we plan to include the Fedline patch in the next mass distribution of Fedline modifications, which is expected within the next several weeks.

All ACH customers are encouraged to obtain a copy of the 1995 ACH Rules Book. If your institution does not have a copy, it may be ordered from the New York Automated Clearing House (NYACH) (Franca Scudieri: 201-319-5409), or from NACHA (Publications: 703-742-9190). To order a copy of the latest edition of the Treasury "Green Book," which governs federal ACH payments, contact Treasury's Financial Management Service (202-874-6620).

For additional information, call Linda Rodgers (212-720-8140) or Rosemary Morales (212-720-5734) of our Automated Payments Division, or contact one of our Fedline Customer Service representatives (212-720-5802).

HENRY F. WIENER
Vice President

1995 NACHA RULE AMENDMENTS

All seven proposed NACHA rule amendments were approved in this year's balloting to become effective April 14, 1995. A brief summary of the seven rule amendments follows.

Opening of Business Availability of Consumer PPD Credits

This amendment requires RDFIs to make funds available to consumers for Prearranged Payment and Deposit (PPD) credits by the opening of business on settlement day for any PPD credit entries which have been made available to the RDFI by 5:00 p.m. the day before settlement. This places the responsibility on the RDFI to pick up ACH files that are made available to it by its ACH Operator during the afternoon.

This funds availability rule defines "opening of business" as the later of 9:00 a.m. (RDFI's local time) or the time the RDFI's teller facilities (including ATMs) are available for customer account withdrawals. This definition of "opening of business" is consistent with Regulation CC.

Affidavit Rule Change

This amendment adds a requirement that an RDFI must obtain a signed written affidavit from a Receiver prior to returning an entry as R10 (Unauthorized) or R07 (Authorization Revoked). This rule change also establishes a time limit under which the ODFI may request a copy of the affidavit (one year) and the RDFI must respond to that request (sixty days).

Single Entry Reversals

This amendment makes single entry reversals consistent with file reversals in the rules by eliminating the authorization requirement for single entry reversals.

Sixty Day Right of Adjustment

This amendment changes the language in the rules for the time frame for an RDFI to return an adjustment entry for an unauthorized consumer transaction to be consistent with the language that currently describes return time frame deadlines.

Self Audit for Funds Availability

This amendment updates the funds availability section of the self audit procedures to correspond to the new rule amendment for opening of business availability of consumer PPD credits previously approved.

Unauthorized Corporate Credits

This amendment clarifies and renames return reason code R23 to include the return of unauthorized corporate credits.

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Notifications of Change

This amendment addresses a specific notification of change (NOC) problem by enabling a purchasing RDFI to identify itself in the NOC format when the RDFI purchases branches or accounts for another RDFI.

In cases where a financial institution purchases a branch(es) or account(s) from another institution, the selling institution may prohibit the use of their routing number in the Originating DI Identification field of the NOC entry. This situation can create problems for originating companies in matching the NOC to the original entry referenced. In some instances, this can result in the originator initiating a refused NOC. The amended rule change clarifies that the routing number in the Originating DI Identification field in the Company/Batch Header Record of an NOC may be different than the routing number of the receiving financial institution on the original entry.

For those customers using Fedline to initiate NOC entries, a software modification is being developed to support this change. Since only a small portion of customers will be impacted by the modification, the Fedline patch will be included in the next mass distribution of Fedline modifications. However, the patch will be provided to any financial institution upon its request.