

October 20, 2003

Stephen M. Vajs
Director, Risk Management Division
Financial Management Service
U.S. Department of the Treasury
401 14th Street, SW, Room 423
Washington, DC 20227

Subject: 31 CFR 210 Comments

Dear Mr. Vajs,

The South Carolina Automated Clearing House Association (SOCACHA) appreciates the opportunity to comment on the proposed changes to 31 CFR 210. SOCACHA represents 172 financial institutions in the Southeast.

Over the last several years, FMS has always taken a subtle and in many cases, understandable approaches regarding governmental exemptions to the ACH Rules. It is our belief that the current proposed changes have not taken into account the effects of such changes within the financial institution community. Our concerns and comments are listed below:

Revised Accounts Receivable Disclosure:

SOCACHA recommends that no change be made to the current disclosure. Based on consumer questions, NACHA is currently forming a Check Conversion Education Coalition to provide clear and consistent information explaining the conversion process. FMS' current proposal will conflict with that information and further confuse those individuals we are attempting to educate.

Expanded ARC Conversion Applications:

SOCACHA is against the proposed expansion of the ARC Conversion Application. Utilizing the CCD format will only allow a **24 HOUR** right of return for an authorized transaction. This expansion will also require the off-site area converting the checks to know if the check is from a consumer or business account which may be impossible to determine. We are against any attempt to change the rules of an application to suit one entity.

Conversion of Additional Instruments:

While we commend FMS for recognizing the operational barriers that currently exist, it is our belief that the "removal of the regulatory obstacles" be considered if and only when it becomes operationally feasible "industry-wide" to convert these items.

RCK Entry Service Fees:

It is our belief that FMS should abide by the current NACHA rule. While FMS' position complies with the requirements of Regulation E, the current NACHA rule provides greater consumer protection.

The Federal Reserve Board of Governors staff did not specifically address this in their most recent update, because it was already addressed in the NACHA rules. They, however, have stated that they may insert additional consumer protections in Regulation E should NACHA relax their consumer protection.

If FMS utilizes a convert-all stance regarding check payments proposed in "Conversion of Additional Instruments", there would be no RCK entry from which to charge a service fee.

Seven-year limitation on Reclamations:

SOCACHA would recommend that FMS and NACHA work together in setting a reasonable retention timeframe.

Many of the issues within the proposed changes dealt with the inclusion of corporate checks within the check conversion process. It is our belief that more work needs to be accomplished within the industry (FMS, NACHA, Data Processors and Financial Institutions) before this is operationally feasible. We must be proactive, but that will take time to plan and implement. Making these changes now will set us up for failure in the future.

SOCACHA appreciates the opportunity to comment on these proposed changes. If you have any questions regarding our comments, please contact me at 803-732-1579.

Sincerely,

Allen Young
Executive Director
South Carolina Automated Clearing House Association