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AMERICA'S STRONGEST BANKS

UMB BANK

October 17, 2003

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

RE: 31 CFR, Part 210 – Government Participation in the ACH Network

To Whom It May Concern:

Thank you for the opportunity to comment on the proposed amendments to 31 CFR, Part 210.

UMB Bank is a $7 billion bank headquartered in Kansas City, MO, and is considered a large cash management bank, especially within the mid-West. UMB Bank offers a full range of treasury management products to its corporate and public fund clients, including account reconciliation of issued checks, with many clients using positive pay, and ACH debit block and filter.

While we are in favor of streamlining and electronifying the check collection system because of the operational efficiencies to be gained, we believe that the industry, as a whole, as well as our bank, face many operational challenges in attempting to merge check and ACH payments. There are many initiatives underway throughout the industry exploring how to move toward this goal. However, the many operational challenges may defer attaining the goal for some time.

As a general comment, when the FMS, in 1999, adopted the ACH Rules with only eleven exceptions, the industry believed that the burden of unique rules and processing requirements for government items had been lessened. Several of the proposed amendments to 31 CFR, Part 210 will increase the unique and burdensome processing requirements for government entries, which is not desirable. Also, these proposed changes are likely to create confusion among consumers and businesses making payments to Federal agencies, necessitating more customer service issues for financial institutions.

A.3. Conversion of Additional Instruments

Of greatest concern to us is the proposal to convert payment instruments such as money orders, traveler's checks, certified bank checks and credit card checks. These payment instruments were intentionally exempted from check conversion in the ACH Rules with the realization that conversion of these items would increase the burden on financial institutions with respect to processing them. It was also recognized that there is no effective way to gain appropriate authorization for conversion of these types of instruments.

In the conversion of these instruments, the endorsement and any security features will be lost. The endorsement is a critical piece of the reconcilement process. When these instruments are converted to ACH entries, the reconciliation process will become costly and labor intensive. With respect to cashier's checks, since the serial number is not traditionally in the MICR line, the serial number will be lost completely. The security features are important to financial institutions in curtailing fraud losses. Converting these instruments reduces a financial institution's ability to identify fraudulent instruments and mitigate fraud losses.

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While your request for comment acknowledges the use of ACH debit blocks, the suggestion that items that are returned due to an ACH debit block will be recreated as a paper draft is disconcerting. The use of paper drafts will cause many of the same operational problems with respect to lost security features and MICR encoding that will be created with check conversion. Also, it is unlikely that a draft will be paid in situations where other treasury management services, such as positive pay, are being utilized.

A.2. Expanded Accounts Receivable Conversion Application
For business checks converted to an ACH transaction at the point-of-sale or lockbox using the CCD Standard Entry Class Code, it will be difficult for a financial institution and their corporate clients to identify that the transaction is a converted item. There is no appropriate place in the ACH format of a CCD entry to include the check serial number and no reasonable method to distinguish these items. In situations where a corporate client has contracted with its financial institution to provide treasury management services, such as positive pay and account reconciliation, the inability to reference the check serial number creates tremendous obstacles. Even without considering the potential implications associated with treasury management services, a business will have great difficulty in reconciling its account without a check number.

In light of these concerns and the imminent passage of Check 21, deferring these proposed amendments until Check 21 is implemented is recommended. After the Check 21 implementation date, financial institutions and our corporate clients will be better prepared to deal with the operational and customer service aspects of a "convert all" philosophy. Implementing the proposed amendments to 31 CFR, Part 210 in the short term will force financial institutions to make significant modifications our operating procedures twice in less than a year.

B.1. Mandatory Use of R14 or R15 Return Reason Code
We believe that the proposal to mandate financial institutions to return ongoing Federal benefit payments as R14 or R15 when the financial institution is aware of the death of a recipient is operationally challenging for most, if not all, receiving financial institutions. We believe that this is an appropriate requirement for the initial return after the financial institution becomes aware of the death of a benefit recipient. However, in cases where subsequent payments are received after an account is closed, it is operationally challenging to identify benefit payments and return them as R14 or R15. For example, our institution employs automation in the return of many on-us items and returning items account closed (R02) is a standard component in that process. Given the volume of items we receive it would be unreasonable to do otherwise.

Thank you for the opportunity to comment.

Sincerely,

Dave Fuller

David E. Fuller
Senior Vice-President
Director, Treasury Management and Technology Services