

New Initiative May Help In-house Lockbox Processors Save Time and Money

Mellon GCM Expands ARC Conversion Solution

Mellon Global Cash Management (GCM) recently expanded its Accounts Receivable Check (ARC) conversion solution to service in-house lockbox processors. The ARC process, which converts eligible checks received in a lockbox environment into automated clearing house (ACH) transactions, is designed to improve the collection and application of consumer payments and facilitate the industry's move toward more cost-effective electronic transactions.

Mellon GCM's ARC Solution for In-house Remittance Processors is designed to enable clients to leverage their existing business processes and infrastructure investments by placing an ARC solution within their own remittance processing operations. Clients may subsequently benefit from significantly lower processing costs and less time spent on the labor-intensive processing of paper checks.

The new service enables Mellon customers to utilize ARC solutions without having to procure hardware or software from Mellon. This aims to eliminate needless capital investment, simplify implementation, permit faster savings and provide flexibility

in future electronic clearing decisions that your organization may want to pursue. The comprehensive service includes: ARC decisioning, in which the system determines whether a payment is eligible to be converted; Magnetic Ink Character Recognition (MICR) parsing and conversion; NACHA (The Electronic Payments Association)-formatted file creation; ACH origination and comprehensive returns processing.

"As part of our commitment to the future of cash management and the continual delivery of comprehensive, high quality solutions, products and services, we are proud to initiate this new solution," said Greg Cicero, senior vice president and head of Mellon GCM. "This new service will provide our in-house processing clients with the one of the industry's most efficient and flexible ARC solutions through the use of new technology and additional streamlining options."

For more information on our new in-house remittance processing ARC solution, contact our cash management experts at 1 800 424-3004 or send an e-mail to us at gcm_direct_pgh@mellon.com.

New NACHA Rule Identifies Business Checks Ineligible for Conversion

Spotlight on New NACHA Rule

NACHA — The Electronics Payment Association approved an amendment (effective Sept. 15, 2006) stating that checks containing an auxiliary-on-us field in the MICR (magnetic ink character recognition) line are ineligible for accounts receivable check (ARC) conversion.

The new rule is designed to enable Originating Depository Financial Institutions (ODFIs) to more easily comply with check conversion rules, thus facilitating greater adoption of ARC, which converts eligible payments received in a lockbox into ACH debits.

Business checks are currently not permitted to be converted to ARC entries due to the concern that the ACH transactions may circumvent advanced cash management services typically used by large businesses, such as controlled disbursement, automated account reconciliation or anti-fraud services like positive pay, which compares a company's check issue information with check data captured during check processing to flag suspect items.

Prior to the rule change, many six-inch checks written by businesses were inadvertently converted because ODFIs are unable to distinguish many business checks from consumer checks.

Checks typically used by corporate treasury and accounts payable departments — eight-to-nine-inch checks — will be excluded from the conversion process, therefore not impacting these typically-used cash management services.

The rules also state that any check drawn in an amount greater than \$25,000 is ineligible for ARC conversion and Point-of-Purchase* (POP) entries.

Businesses that do not use the eight-to-nine-inch checks can still opt-out from check conversion by contacting the biller, a process which mirrors the consumer opt-out process.

**Payment method that enables the conversion of consumer check payments into one-time ACH debits at a point-of-sale location.*